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An analysis of service charge data

BDO PropCost 2023 Offices and Shopping Centres

February 2024



BDO



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Acknowledgements

Paul Bagust

RICS

Peter Forrester

FRICS (Peter Forrester SCCS Limited)

Truly independent service charge benchmarking



Andrea Hunt
Partner, BDO LLP
Head of Service Charge Accounting

The UK commercial property market continues to face challenging conditions, influenced by both the macroeconomic environment and emerging social trends. This is particularly true for offices and shopping centre properties, which are the focus of our 2023-24 PropCost report.

The post-pandemic return to the office hasn't been a smooth transition. Many employers have adapted to requiring less office space. At the same time, businesses expect higher quality space in order to maximise the value of time spent working in person.

A slow return to store-based shopping habits, alongside a trend towards out-of-town retail parks, has presented challenges for shopping centres, making it difficult to maintain footfall and retain occupiers in central locations. As the UK economy faces the strain of limited growth, the review of costs will be high on the agenda for all business leaders as they monitor and adapt their strategies.

Greater transparency of cost data

PropCost 2023 is a review of office and shopping centre service charge expenditure data from late-2020 through to the beginning of 2023. All expenditure data is sourced from our eMOS (Electronic Management of Service Charges) platform, which drives our assurance work. eMOS relaunched as version IV in summer 2023 and we are very excited about the potential it holds for collating, verifying and facilitating real-time data analytics.

We have a longstanding relationship of working closely with RICS (Royal Institution of Chartered Surveyors), collaborating over a number of years on the RICS Professional Statement for Service Charges in Commercial Property.

One of our primary goals in issuing service charge benchmarking information is to promote transparency of service charge data, with costs aligned to RICS categories and accounting principles.

It is important to note that, due to the changes in the mix of our database this year, we have re-stated any longitudinal reviews. Therefore, historical results reported in this year's publication will not necessarily match with those published in our 2022 report.

In this year's report we have been able to identify the influence of rising inflation on service charge costs, and where these increases have had the greatest impact. For example, we have observed that cleaning and sustainability service costs have risen at a much greater rate than security costs.

Identifying the 'green premium' in service charges

Last year, we reported our findings of service charge costs in relation to the efficiency rating of an asset, and where relevant, the BREEM (Building Research Establishment Environmental Assessment Method) rating.

Since publishing our 2022 PropCost analysis, there has been a growing body of research exploring the relationship between efficiency, sustainability, and the capital or rental value of an asset. Key examples include CBRE's Sustainability Index (November 2023) and JLL's Sustainability and Value Report (January 2023).

This is likely to be driven by an increased level of occupier demand for space with the highest 'green' credentials, as well as the move away from inefficient assets which could fall short of the Minimum Energy Efficiency Standards (MEES).

Our data supports this research, identifying the difference in service charge costs corresponding with the efficiency rating and BREEM certification. We found the office assets with the highest efficiency performance had higher costs relative to those that were mid-table, likely an indicator of the 'prime' nature of these properties. For those offices we identified with an 'outstanding' or 'excellent' BREEM certification, we found costs to be 58% higher than those rated 'good', again supporting a trend of higher costs for running assets built to the highest specification. Meanwhile, for the buildings at the lowest end of the efficiency spectrum, they reported the highest costs in our dataset, suggesting an association with higher maintenance costs for the least efficient buildings.

Collaborating for greater insight

This year, our complete dataset has increased by 20%, totalling 444 assets analysed in this report. We are also pleased to have nine contributors taking part in PropCost. We have worked closely with our contributors to grow our dataset for this year's analysis, and we are very grateful for their ongoing support with our shared vision for better transparency in relation to service charge cost data.

We would like to sincerely thank all our contributors for their involvement. We also extend our thanks to RICS, who have provided continuous support to BDO's PropCost initiative.



Highlights

In our dataset...



Offices

10%

increase in total service charge costs for offices in the 2023 data compared to the previous year

86%

higher total service charge costs for offices located in central London, compared with the rest of the UK

23%

of offices had a BREEAM sustainability certification

26%

higher total service charge costs for BREEAM 'Outstanding' or 'Excellent' certified offices compared to the rest of the dataset

23%

of offices had an EPC rating of A or B

6%

higher total service charge costs for offices with an EPC rating of A or B compared to all other offices

28%

of office service charges included retail or leisure space

22%

of service charge spend for offices was on mechanical and electrical services, representing the largest spend category



Shopping centres

7%

increase in total service charge costs for shopping centres in the 2023 data compared to the previous year

20%

higher total service charge costs for shopping centres located in London, compared with the rest of the UK

50%

of service charge total costs for shopping centres were higher overall than the budget, compared with only 21% in the previous year's data

29%

increase in costs for 'enclosed' shopping centres compared to those which are 'open'

14%

of shopping centres had an EPC rating of A or B

5%

higher total service charge costs for shopping centres with an EPC rating of A or B compared to all shopping centres

26%

of service charge spend for shopping centres was on cleaning and sustainability, representing the largest spend category

16%

increase in the cost of cleaning and sustainability found in the service charges for shopping centres compared to the previous year's data



Executive summary

The results from our database reflected a number of key themes which face the commercial property sector.



Economic pressures

Whilst the last two years have seen a significant levels of inflation, the impact of this was not apparent in last years data due to reduced occupancy levels and existing fixed price contracts running their course. This year, there is a strong correlation between service charge costs and inflationary pressures. For example, cleaning costs increased by over 10% in our latest year of data, which represents around 13% of average total service charge costs.



Efficiency

The Minimum Energy Efficiency Standards (MEES) for commercial buildings came into effect in April 2023, and whilst there has been political instability around these rules particularly in the residential field, they are placing increasing pressure on landlords as the risk of stranded assets grows. We found that those offices with the lowest EPCs (E to G) had service charge costs over 35% higher than assets with higher efficiency ratings. We also found a tendency towards higher costs in offices rated A or B, which are likely to be 'prime' assets offering higher quality location and amenities.



Changing working and shopping habits

A large portion of the data in last year's PropCost analysis covered the accounting periods affected by the covid restrictions. As we bring in the latest data for this year's review we can assess the impacts of reduced occupancy in offices and lower footfall in shopping centres. Whilst both asset types are experiencing a slow return back to pre-pandemic levels of usage, our analysis has identified an end to the trend of significant underspends when comparing final expenditure with budget, suggesting planned services are operating as forecast rather than being reduced or deferred.



Sustainability

In the RICS sustainability report (Dec 2023), 94% of survey respondents believed sustainability features raise the rental and capital value of a property, and more than half of respondents reported an increasing occupier and investor demand for 'green' and sustainable buildings. We identified 94 offices in our dataset with a BREEAM rating, with 46% of these rated as 'Outstanding' or 'Excellent'. The premium associated with the assets with the top level BREEAM was an increase of 17% to those rated 'Very good', and 58% when compared to those certified 'Good'.



Location

Location will be a key driver for both business leaders assessing their occupation strategy and investors in the office and retail space. Our analysis of shopping centres and offices found higher service charge costs for assets located in central London. In the offices data, the difference was significant, with an 85% premium compared to the rest of the UK, this is likely to be a combination of the higher wage and operating costs in the metropolitan region, coupled with the higher standard of office accommodation to be found in central London assets.



RICS Professional Statement

All service charge reviews carried out by BDO are in accordance with the RICS Professional Statement for Service Charges in Commercial Property. This means that the expenditure held within our database is consistently classified in line with the RICS cost taxonomy. The purpose of the RICS Professional Statement is to promote greater transparency in the reporting and management of service charge costs. Whilst inflationary pressures are high, we found that for the majority of service charges, the final costs were aligned to the budget with a variance of below 5%.

Developed in association with RICS



Paul Bagust
RICS
Head of Property Practice

I am delighted to welcome the second edition of the PropCost BDO service charge cost benchmarking initiative. As we said at the launch of the first edition, this is a critical document for an industry that has been calling for improved benchmarking data that has been independently collated.

At the time of writing, we are working on the next edition of the RICS Commercial Property Service Charge Code, and it made me think about how this document has evolved over the years and that since its original inception some 27 years ago. The Code has come a long way and has had a significant impact upon the commercial property industry.

In 1996, a group comprising of various industry bodies representing owners, occupiers and managing agents produced the first Guide to Good Practice for Service Charges in Commercial Properties.

Two further editions of the Guide followed in 2000 and 2006 before RICS adopted the document as a formal Code of Practice in 2011. A second edition was published in 2014 and September 2018 saw the publication of the Code as an RICS Professional Statement with mandatory provisions that also received the additional endorsement of the Law Society and Institute of Chartered Accountants.

The impact and respect that the Code has had demonstrates to me that RICS' standards and regulatory functions are of paramount importance in the world of commercial real estate and property.

Adherence to RICS standards enhances the credibility of real estate professionals. Clients, investors, and stakeholders trust individuals and firms that follow established guidelines for ethical conduct, transparency, and competency. This credibility is especially vital in commercial real estate, where substantial financial investments are at stake.

RICS standards are designed to mitigate risks in real estate transactions. Whether it's in valuations, property management, or other areas of commercial real estate, following established standards helps reduce the likelihood of errors, disputes, and legal issues. This, in turn, protects the interests of all parties involved.

Investors rely on accurate and transparent information when making decisions about property acquisitions, developments, or divestments. When professionals adhere to RICS standards, it instils confidence in the reliability of the information provided.

RICS' regulatory functions and standards are designed to protect the interests of consumers. The guidelines ensure that professionals act in the best interests of their clients, providing them with accurate information and fair treatment. This is particularly important in the complex and high-stakes environment of commercial real estate.

The latest edition of the Code has been a pleasure to work on. We have a diverse group of individuals representing a range of interests and they have come together to work collaboratively and with great insight, flexibility, and an overwhelming commitment to ensure that the Code is balanced, fair and protects the public interest. There is of course much still to do and that is why professionals working to industry standards will play such an important role.

This commitment can also be seen in the work in this report and the continued commitment from BDO to provide this data to the industry. Again, I commend the great work from all involved.



Emerging ESG dynamics



Simon Pringle
Director, BDO LLP
Head of Sustainability & ESG Advisory

The agenda for commercial real estate and associated management services continues to be driven by sustainability and ESG considerations. The increasing demand for Grade A spaces is anticipated to continue, this being focussed upon spaces that perform better in terms of energy efficiency and occupant experience. Of course sustainability benchmarks and ratings such as BREEAM, GRESB, and WELL will help underpin this dynamic and evidence the claims made by various choices in the real estate market. In turn, these will allow investors to compare assets across various portfolios and potentially act as a springboard for greater collaboration between landlords and tenants as they work towards Net Zero targets that are increasing shared across the industry.

In some cases, lower grade commercial real estate assets are set to be repurposed to meet the growing demand from growth sectors such as life sciences and clean technology. This is especially true for commercial real estate located in the so-called golden triangle (London, Oxford, Cambridge) but may also apply to core cities across the UK. Creating lab space will come with its own set of technical challenges, although the energy and water intensive nature of lab spaces will ensure that those assets which perform better in terms of energy use and wastewater management will have the potential to command higher premiums. Additionally, those assets that design positive wellbeing considerations into their proposition may prove more attractive and potentially benefit from higher rent premiums as companies compete for talent across a globalised market.

As noted above, changing workforce dynamics are leading to the evolution of office spaces to promote positive wellbeing. Landlords and facilities managers are increasingly focused on enhancing both hard and soft wellbeing features helping them attract and retain

tenants. Incorporating wellbeing features from the outset will help tenants promote wellbeing in a hybrid work environment, while boosting their ability to hold onto top talent. The wellbeing features of assets must also look to accommodate for an ageing workforce, ensuring that the assets are adapted to create an accessible and inclusive environment.

Of course, end user preference and the commercial dynamics of the market is not the only influence from a sustainability and ESG perspective. Alongside carbon and water intensity, the Global Risks Report 2024 by the World Economic Forum identifies biodiversity loss and ecosystem collapse as posing a significant risk over a 10-year period¹. The now mandatory Biodiversity Net Gain (BNG) rule will require developers to deliver a biodiversity net gain of 10% from January 2024 for major developments. This will extend to those bringing forward smaller sites from April 2024. The longer-term commitments of the implementation for nationally significant infrastructure projects will fall under the same regime and remains planned for November 2025². We anticipate a BNG market to evolve in response to these statutory changes.

However, not all sites will be suitable to generate biodiversity net gain. In which case developers may resort to off-site generation (landowners setting aside land for biodiversity enhancement) or the purchase of biodiversity credits from the government. The costs to deliver off-site biodiversity net gain or maintain on-site biodiversity generation may be passed on to the tenants of commercial real estate through the form of a premium on the rent charged.

¹ World Economic Forum, Global Risks Report 2024

² Department for Environment, Food & Rural Affairs, Biodiversity Net Gain

Sector review from the BDO Real Estate Team



Hira Sharma
Partner, BDO LLP
Head of Real Estate & Construction

A review of key trends impacting offices and shopping centres in 2023 from our BDO Real Estate & Construction Group.

Transactions

Generally, in capital markets, the number of commercial transactions was significantly lower than in previous years, principally due to stubbornly high interest rates (the value of transactions at the end of 2023 likely to be 35% to 40% down on the previous year). These high rates are forecast to persist well into Q3 2024.

These interest rates caused yields to rise, in most sectors, from Q3 2022 onwards. Those funds and property companies reporting in 2023 generally suffered drops in valuation due to yields being significantly higher than in 2022 (by as much as 150-200 basis points). In most sectors, some of these valuation falls have been mitigated by increasing rental levels.

Offices

ESG considerations

In the office sector the dominant trend has been (and will continue to be) the increasing recognition of the interplay between value and ESG issues. The real estate market is learning how to price in the differences between ESG compliant offices where corporate occupiers demand space that meets their individual mission statements. There is an increasing weight of evidence that 'green' buildings attract premium rents and better tenant covenants.

As reporting around ESG becomes more consistent, it will become increasingly possible to analyse transactions to assess how sustainability features are being priced.

Non-compliant second-hand buildings will be consistently down valued with the cost of retro-fitting prohibitive. Often, in the UK regions the costs of compliance will be greater than the value of the asset itself with the building owner left with no choice but to redevelop or re-purpose. In the short-term high interest rates and build costs will make such asset management initiatives expensive to execute.

ESG considerations and broader market concerns have led to a 'flight to quality' with investors seeking the best buildings let to the best covenants. As has been the case in previous property cycles, a bi-furcation of the market between prime real estate and secondary/tertiary assets.

Hybrid working models

The effect on the demand for office space of hybrid working models is well documented; however, the net effect on office occupancy is likely to become further confused by the weak economy and redundancies, particularly in the professional services sector.

One observable trend is the range of flexible options provided by the traditional property companies who had historically preferred fixed-term leases with break clauses and regular rent reviews. Some landlords now provide a 'club' model where tenants of any of the offices in their portfolio can 'drop-in' and start working.

Shopping Centres

Transaction prices for shopping centres assets are perceived to have bottomed out after many years of yield increases (even prior to Covid) with some assets trading at yields as high as 15%. Given the 'realistic' level of pricing many buyers are identifying emergent asset management opportunities.

More shrewd asset managers are realising the opportunity to 'repurpose' tired assets to integrate leisure, office (particularly flexi-space) and residential accommodation. Hopefully, the creation of these multi-purpose areas will be a factor in regenerating many of the UK's town and city centres.

In the meantime, owners of shopping centres are still dealing with the effect of the insolvencies of department stores such as Debenhams and House of Fraser as well as larger occupiers such as Wilko. The units are being subdivided to provide smaller accommodation; this has led to huge capital costs on landlords, highly incentivised leases, lengthy voids and poor recoverability of service charge and business rates.

BDO's UK Real Estate and Construction Group is one of the largest dedicated accounting and tax property practices in the UK, comprising over 300 specialists dedicated to Audit and Accounting, Tax, Corporate Finance, Capital Allowances Review, Financial Modelling, Valuations, Outsourced Accounting and Forensic Review.

Our clients and audited entities range from some of the largest investors globally through to highly entrepreneurial firms developing new, innovative Real Estate products.

Our success as a leading Real Estate and Construction adviser is underpinned by three factors: an unerring focus on our clients' and audited entities' requirements; a deep knowledge of the market; an inquisitive, proactive approach.

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We have representation on industry bodies including INREV, EPRA and BPF.

Offices





Number of offices



Comparative dataset	338
All data	408

Approach and dataset – offices

Approach

The data that forms the basis of this report is taken from the service charge data that we hold on our online platform, eMOS (electronic Management Of Service charges). This means that each data record BDO holds, refers to a set of service charge accounts which will often relate to an individual building, but in some instances may refer to a part of a building, or group of buildings on an estate, dependent on how the service charge is structured.

Our data is taken from nine contributors totalling 408 service charges. From this data we have identified 338 service charge properties with three years worth of comparative data. We have used this data as follows:



Comparative

Properties where we have three years of expenditure data, allowing us to do meaningful analysis on the trends across three years.

The mix of offices making up our dataset this year has changed due to new contributors and changes in the submissions from existing contributors. Therefore all previous year's results are re-stated to allow a meaningful trend analysis (but will not match last year's report).



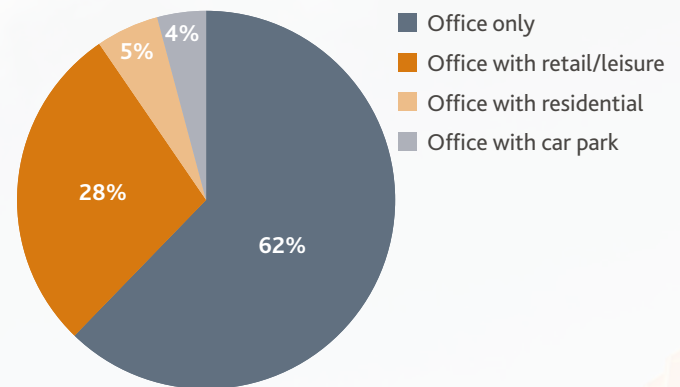
All data

Properties including the comparative dataset where we have the latest year of expenditure, allowing us to do analysis on a slightly larger dataset.

Full details of our approach and dataset are set out in the appendix on pages 47 to 51.

Property use

Number of properties by property use (all data).



Use of the median value

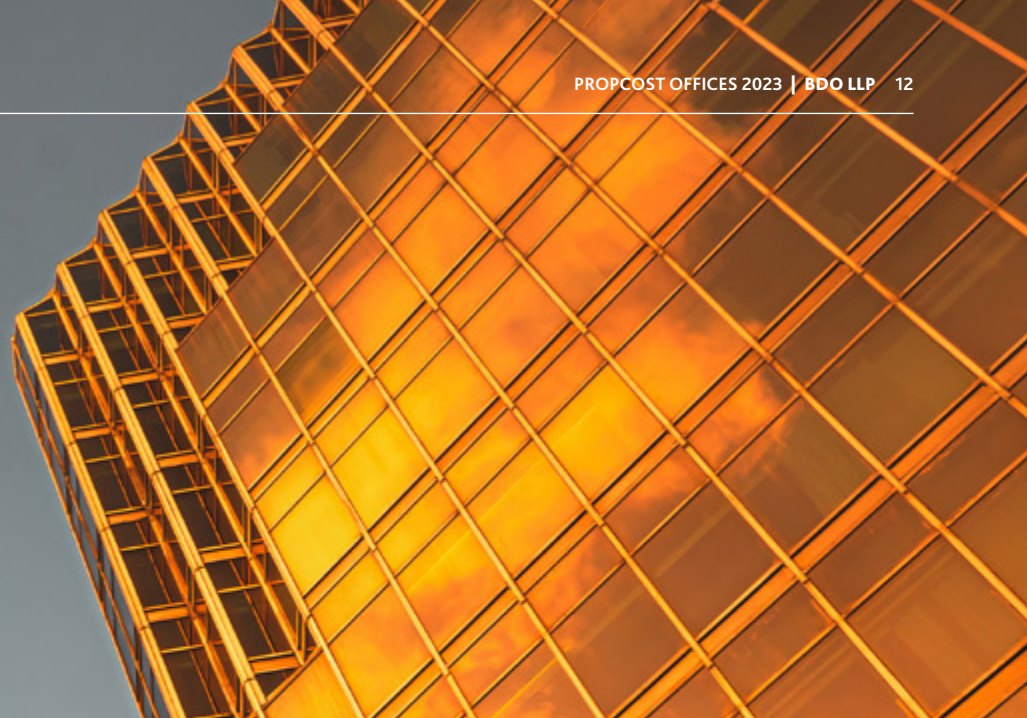
The median value, rather than the mean, has been used to report the average for the trend analysis. The median is the value found by lining up all values for a data point, and selecting the item at the mid-point. This is an effective way of reducing the impact of outlier values, and returns a value that is likely to be found within a 'typical' service charge reconciliation. For our analysis, we have excluded zero values so that results are not skewed by expenditure lines where there is simply no spend incurred. The benefit of this is that we are able to report true 'typical' values, and the effect of outliers does not disproportionately impact the result.





Number of offices

Comparative dataset	338
All data	408

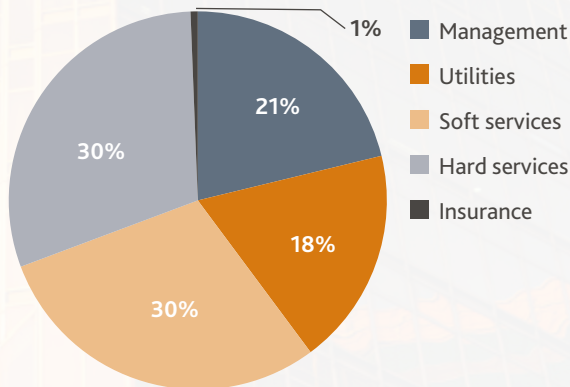


Total service charge reviewed

£352m

Total average service charge split

Overall split of costs based on median data (excluding exceptional and miscellaneous costs).



Limitations of using benchmark information

The purpose of this report is to provide insight and transparency into service charge costs. Whilst we have given consideration to some of the factors which may impact on costs, each building or development will have many additional factors which influence service charge spend and should be considered when reviewing costs. It is also important to note that when average or median values are reported, it is impossible for a large part of the sample to have a spend 'below' the benchmark.

Approach to data segments

The data has been sliced according to factors which are expected to correlate with cost as set out below.

Efficiency

The energy performance certification is an assessment of efficiency and therefore most relevant when considering the energy usage of an office. However, those offices with the best efficiency ratings (A or B) are likely to be the newest offices, or those which have had recent investment, and therefore a higher rating is a good indication of the standard of modernisation of an office.

Size

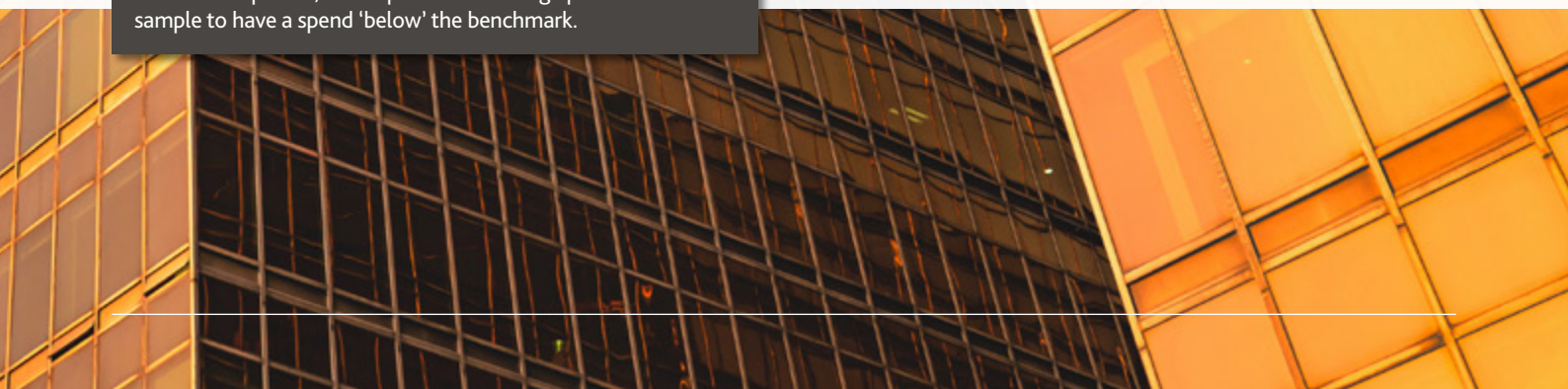
Buildings have been categorised into three sizes based on the floor area as set out in the service charge budget (See definitions of building size on page 15). Service charge costs are driven by costs relating to the common areas, but it is still expected that economies of scale can be achieved on larger scale operations.


Region

Region has been determined using the postcode for each building or development, aligned to those areas with wage differentials. As a large proportion of the dataset is London based we have segmented into central and greater London areas to give more detailed insight. (See mapping of regions on appendix page 54).

Sustainability

There are a number of sustainability certification systems available. We have looked at BREEAM ratings as an example of a holistic approach to an offices initial environmental impact, although we acknowledge that these do not measure the sustainable impact of an office 'in use'.





Number of offices

All data
408

Efficiency analysis

Efficiency Analysis

The energy performance certificate (EPC) gives a property an energy efficiency rating from A (most efficient) to G (least efficient) and is valid for ten years. Whilst occupiers are likely to be attracted to more efficient properties for both sustainability and cost saving credentials, the EPC has also become important for investors due to the Minimum Energy Efficiency Standards (MEES).

MEES currently restrict leases where a property is rated F or G, but the UK government has also proposed to increase this threshold to B by 2030 meaning that there is an incentive for investors to increase the efficiency of their assets to be commercially viable. While the UK prime minister has recently scrapped the plans to enforce MEES on domestic rentals, there is no sign of changes to be made for the rules on commercial properties. Research from the Handelsbanken Professional Landlords Survey suggests over 55% of landlords expect to make significant investments to meet the new standards.

We have analysed the make up of EPC ratings in the dataset and looked at how the rating impacts on costs. This is an area we intend to track over time and fully acknowledge the current limitation of an EPC lasting for ten years meaning that a portion of the dataset may be out of date, however increasing regulation means that there is more incentive to have an up to date certificate.

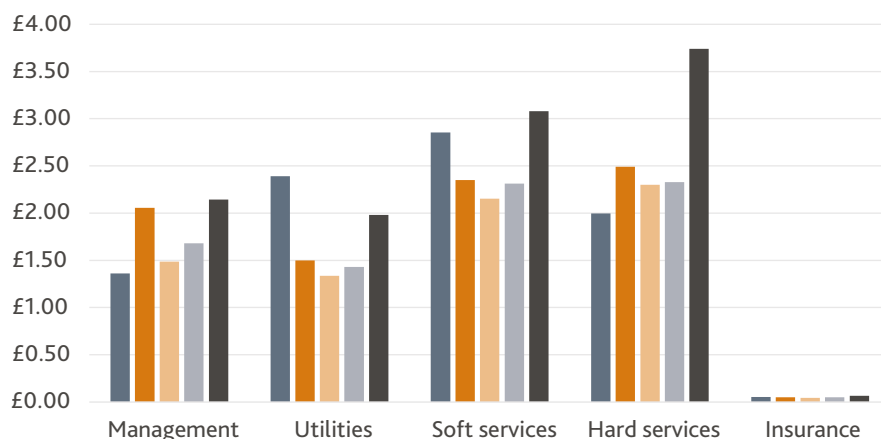
There is a degree of correlation of EPC rating with cost, where higher costs are tending to be seen on the properties with lower EPC ratings. We have looked in more depth at some of the costs on the next page. Note that our analysis has grouped E to G properties as there were minimal properties rated F or G.

The legend below applies to all graphs on pages 13 and 14.

EPC rating: ■ A ■ B ■ C ■ D ■ E to G

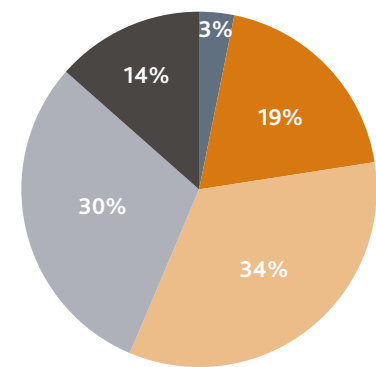
Impact of EPC rating on costs

Median cost per sq. ft. analysed by cost class and EPC rating.



Analysis of properties by EPC rating

Percentage of properties by EPC rating.



Impact of EPC rating on total costs

Median cost per sq. ft. analysed by EPC rating.





Number of offices

All data

408

Efficiency analysis



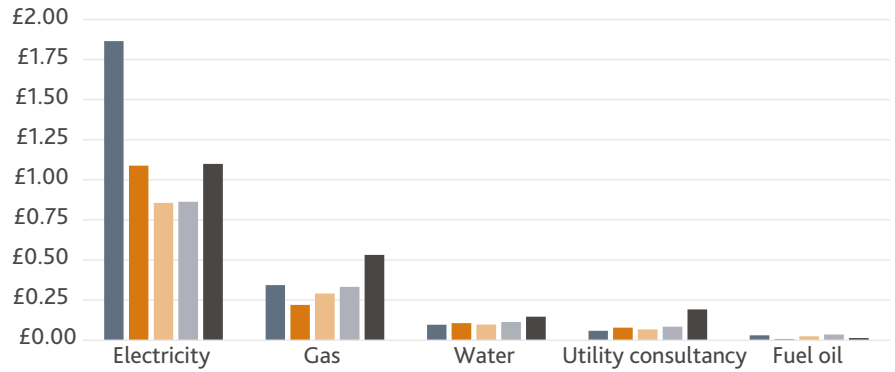
Observations

Whilst gas, water and consultancy costs show a correlation with the EPC certificate where costs are lowest for the most efficient offices, electricity results follow a different pattern with the lowest median costs reported for ratings 'C' and 'D'.

Soft services reflect a similar pattern with both security and cleaning reporting the lowest median cost per sq. ft. for the mid point 'C' rated offices.

Impact of EPC rating on utility cost category

Median fee per sq. ft. analysed by utility type and EPC rating.

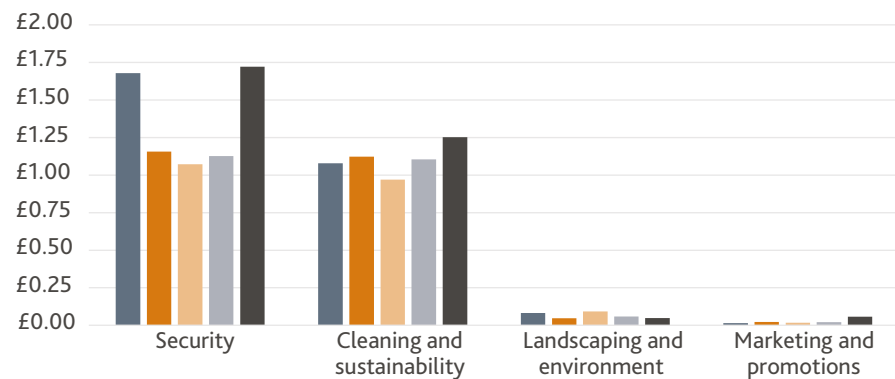


Trend analysis

- ▶ Higher costs in the most efficient buildings may be reflective of a more modern design, larger common areas and higher specifications throughout. This is seen across both soft services and utilities
- ▶ The less efficient buildings tend to also be smaller, and therefore cost per sq. ft. for services tends to be higher. At the other end of the spectrum, the results indicate that the buildings with the highest efficiency ratings have a higher standard of amenities as they are modern buildings with greater investment.

Impact of EPC rating on soft services cost category

Median fee per sq. ft. analysed by soft service type and EPC rating.





Size analysis

Size analysis

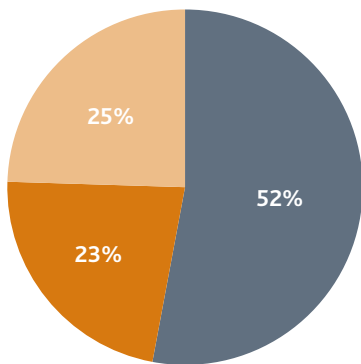
We have analysed our dataset based on total floor area of the service charge building or development. The population has been split into three size categories – small, medium and large – with the greatest volume of our dataset falling into the small category.

The legend below applies to all graphs on this page.

■ Small ■ Medium ■ Large

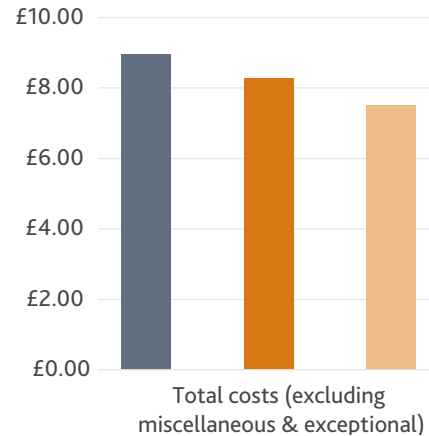
Analysis of properties by size

Percentage of properties by size.



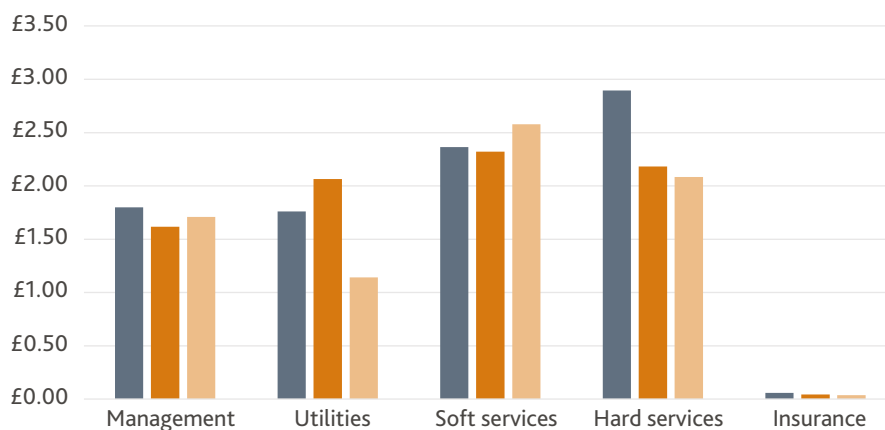
Impact of size on total costs

Median cost per sq. ft. analysed by size.



Impact of size on cost

Median fee per sq. ft. analysed by cost class and building size.



Observations

There is a strong correlation between building size and the cost per sq. ft., with the smallest offices incurring the greatest costs.

The trend is not equal across cost categories, with the largest differential seen in hard services which is largely made up of M&E costs.



Trend analysis

- ▶ The trend for lower costs for larger buildings is likely to be caused by the economies of scale of providing the same services which have a fixed element of cost to provide
- ▶ For example a reception is likely to be staffed at a similar level regardless of the overall size.

Size	Floor area (Sq. ft.)
Small	0 to 49,999
Medium	50,000 to 99,999
Large	100,000 and above



Number of offices

All data

408

Regional analysis



Observations

There has been a change in our dataset towards offices in a central London location in this year's report.

For all cost types, the average costs for a central London address are significantly higher than the other regions we have analysed.



Trend analysis

- ▶ As expected, central London costs are higher due to the higher operational and wages costs associated with operating in this location. Outside of central London the regional variations are minimal
- ▶ There is a less of a regional variation in the utilities costs. To some degree this will be driven by the amenities provided in the common areas, but the baseline cost will be driven by national pricing for electricity contracts.

Regional analysis

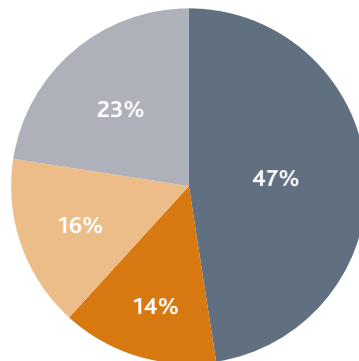
Properties have been mapped to regions as set out in appendix 1 page 54. This has been driven by relative sample sizes and an expectation of higher costs to be found in the south and London regions.

The legend below applies to all graphs on this page.

■ Central London
 ■ Greater London
 ■ South
 ■ Rest of UK

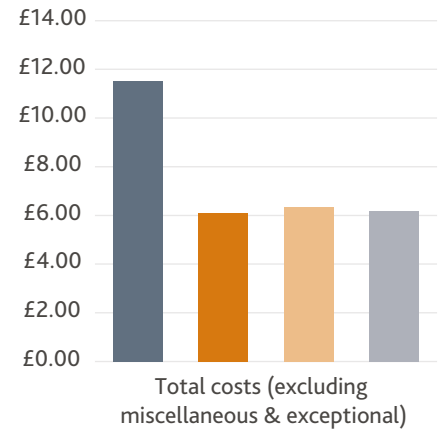
Analysis of properties by region

Percentage of properties by region.



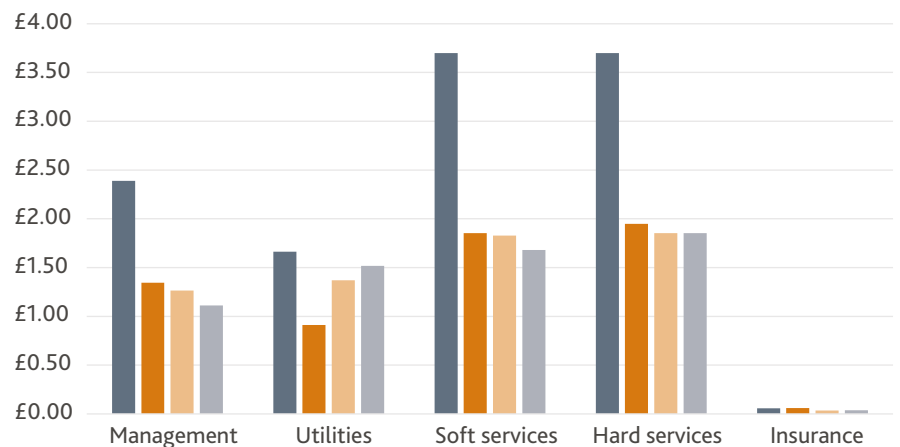
Impact of region on total costs

Median cost per sq. ft. analysed by region.



Impact of region on costs

Median cost per sq. ft. analysed by cost class and region.



Number of offices



All data	408
BREEAM rated	94

Sustainability analysis

Sustainability analysis

There is a growing interest in sustainable buildings as many occupiers are looking at their real estate as part of their ESG (environmental, social, governance) strategy. There are also increasing pressures on both occupiers and landlords to measure environmental impact, with the Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements being phased in by the UK government.

The Building Research Establishment Environmental Assessment Method (BREEAM) is one of several building certifications based on a framework of sustainability factors and is optional for asset owners. We have used it for our analysis based on the publicly available database available at BREEAM Projects. We identified 94 properties in our dataset with a BREEAM rating as set out below.

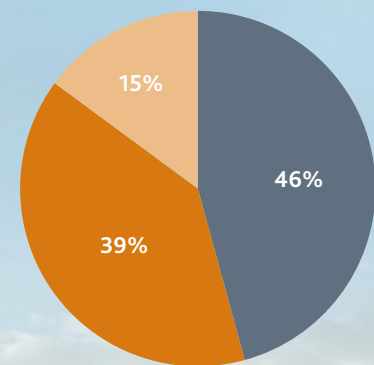
The RICS International Building Operation Standard (IBOS) framework references a number of other sustainability certification tools such as Green Star, Energy Star and NABERS. As we build out our database, we will look to incorporate a wider set of certifications to give a broader view of the sustainability reviews being carried out. In addition to the products which assess the 'Environmental' aspect of ESG, the 'S' can also be measured through the lens of certifications such as the WELL standard to measure wellbeing aspects of a building as referenced in IBOS.

The legend below applies to all graphs on pages 17 and 18.

- Outstanding and excellent
- Very good
- Good

Analysis of properties by BREEAM rating

Percentage of properties by BREEAM rating.



Impact of BREEAM rating on total costs

Median cost per sq. ft. analysed by BREEAM rating.





Number of offices

All data	408
BREEAM rated	94

Sustainability analysis



Observations

Whilst our sample size is lower than our overall office analysis, we have increased the number of BREEAM rated offices in our dataset from 46 last year to 94 this year.

There is a strong correlation between the offices with the highest BREEAM credentials compared with those rated as 'good'.

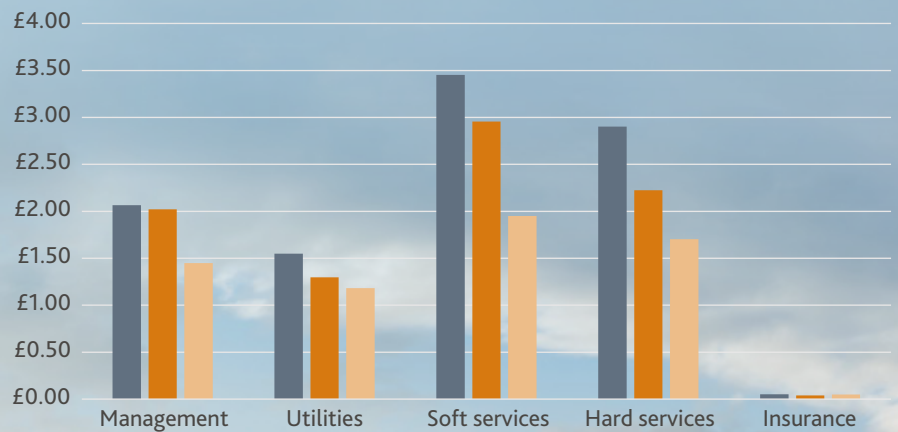


Trend analysis

- ▶ There is a growing body of evidence that BREEAM rated assets can achieve higher rental and capital values due to the overall standard of the building in providing an attractive working environment and fitting with ESG objectives of occupiers and investors. The higher service charge costs are reflective of the higher quality of amenities and services provided by these 'prime' spaces.

Impact of BREEAM rating on costs

Median cost per sq. ft. analysed by cost class and BREEAM rating.



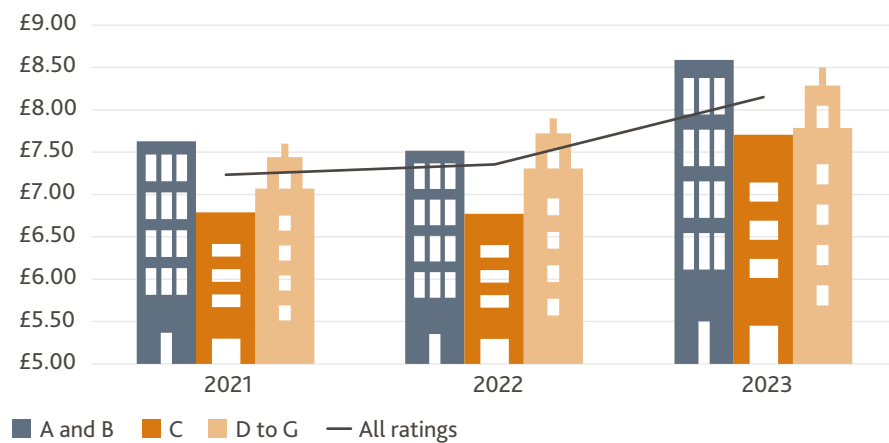


Total cost review

Three year analysis by EPC rating

Median total cost per sq. ft. cut by EPC and year (with AC)

Median taken from each totals for property within each EPC category excluding exceptional and miscellaneous expenditure (offices with air conditioning).



Observations

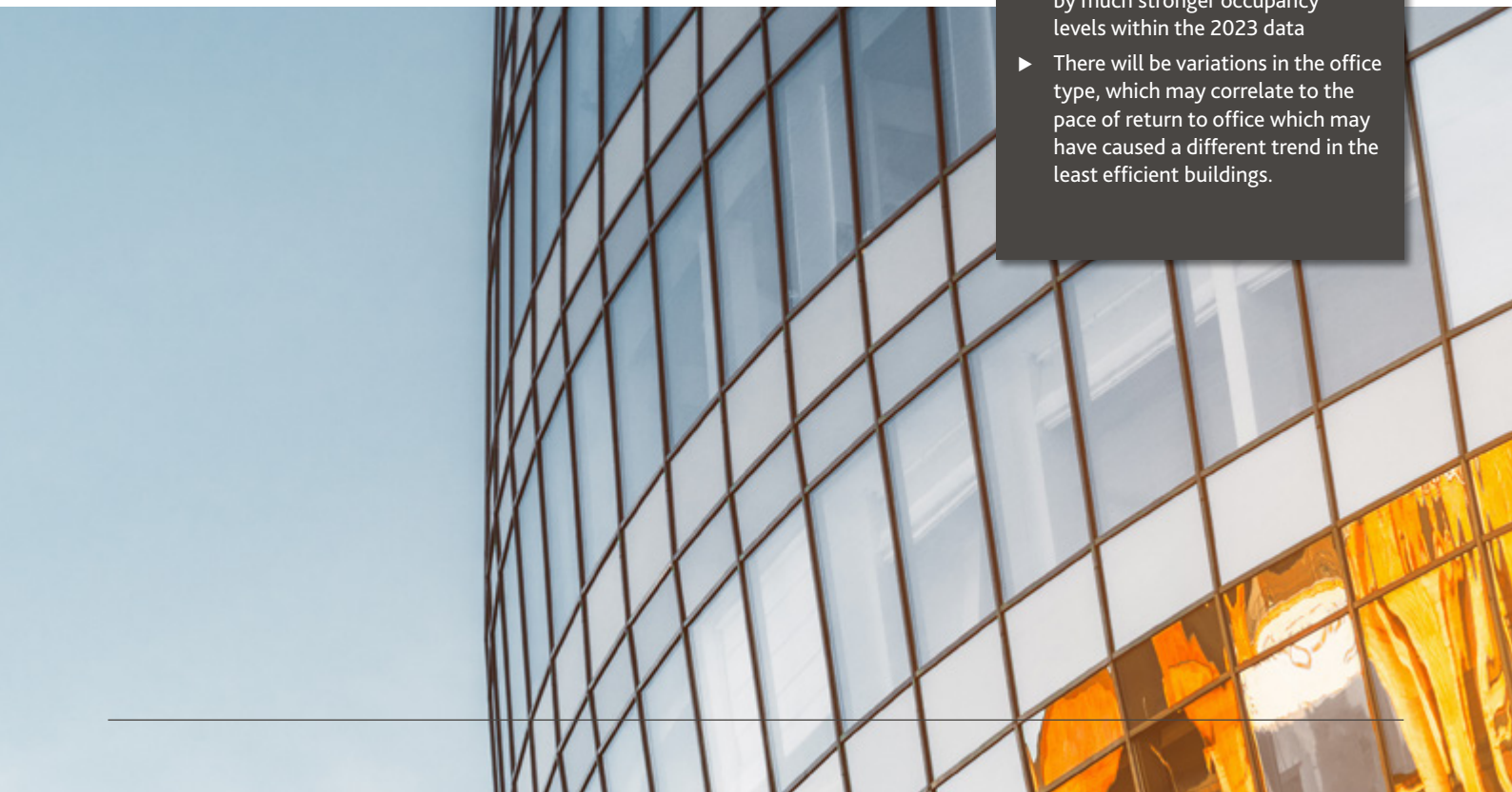
The addition of the 2023 data has shown an increase in costs in the most recent period.

The trend is similar across efficiency ratings, although ratings 'A' to 'C' show a slight decline in the 2022 dataset.



Trend analysis

- ▶ The overall trend is likely to be the drop in occupancy during the pandemic and the slow return to the office (2021 and 2022 dataset), followed by much stronger occupancy levels within the 2023 data
- ▶ There will be variations in the office type, which may correlate to the pace of return to office which may have caused a different trend in the least efficient buildings.





Number of offices

Comparative dataset with AC 299

Total cost review

Three year analysis by size



Observations

The overall trend in the dataset of an increase in cost per sq. ft. in the final year is also reflected when looking at the size of the office. However, this increase is less pronounced when looking at the offices categorised as 'small'.

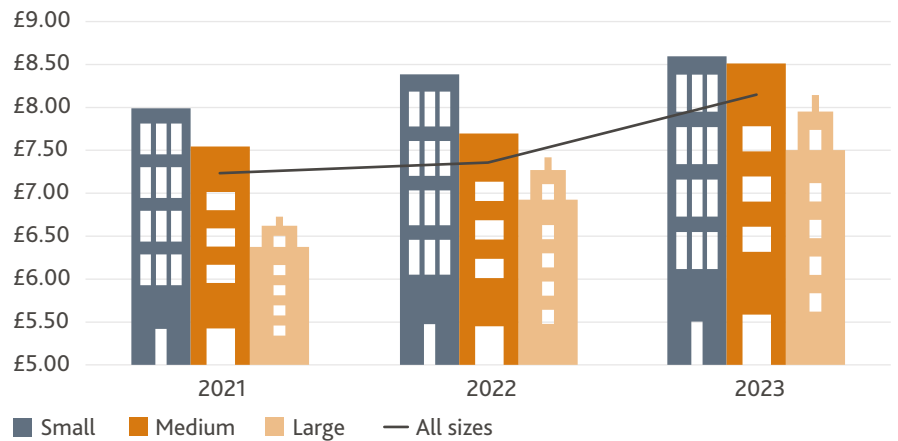


Trend analysis

- ▶ It is possible that smaller offices were not as impacted by lower occupation during the pandemic due to a number of factors from location, amenities to types of services offered from these offices
- ▶ The most significant increase in costs is in the largest offices. This could be reflective of the spaces which invested most in amenities as part of the return to office workings, as our size analysis shows the largest offices with the greatest spend on soft services.

Median total cost per sq. ft. cut by size and year (with AC)

Median taken from totals for property within each size category excluding exceptional and miscellaneous expenditure (offices with air conditioning).



Number of offices



Comparative dataset

338

Total cost review

Three year tracked against RPI

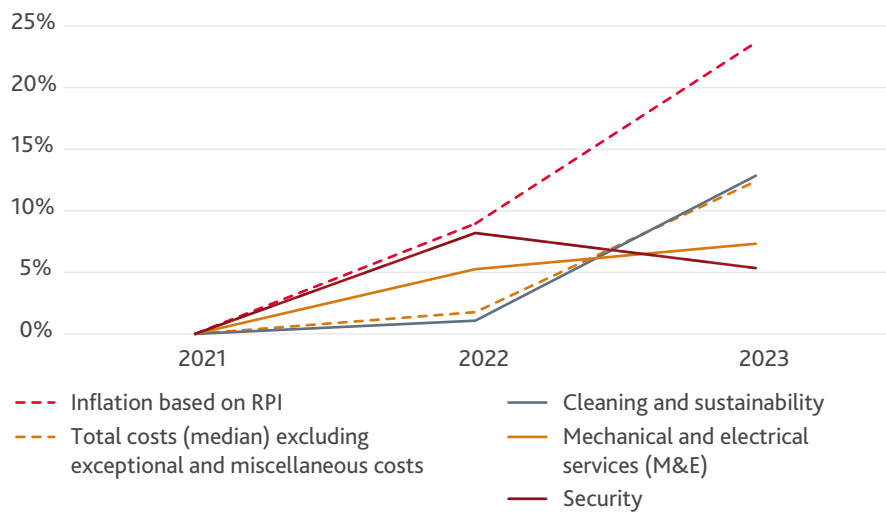
Median costs tracked against RPI

The movement of median costs has been plotted below, against RPI increases across the three years reviewed. The inflation line represented below is taken from the RPI figure at 31 March for each year of the datasets (noting that not all accounting year ends will be aligned to this, but will fall within the preceding twelve months). The comparative dataset has been used, with both air conditioned, and non-air conditioned buildings included to give a broad view across the population.

The top cost categories by percentage of overall service charge has been shown as a separate line to show how key components of service charge costs are tracking against the inflationary movement. The total costs line excludes miscellaneous and exceptional expenses.

Median costs tracked against RPI

Index tracking RPI compared to median total cost per sq. ft.



Observations

Compared to inflation, total costs in the most recent data have followed the same trajectory. This is also the case for the cleaning and sustainability costs, while M&E and security costs have not seen the same level of increase.

In the latest period of data, security costs fell compared to reported overall inflation.



Trend analysis

- ▶ Within the 2021 and 2022 data, security costs were increasing reflecting changing requirements during and after the pandemic to keep buildings secure and follow strict distancing rules. This seems to now be reversing in the most recent data, despite inflationary pressures on wages
- ▶ The increase in cleaning and sustainability costs in the latest data is a reflection of both the returning occupancy levels and inflationary pressures on wages which drive a large element of the cost to provide these services.





Number of offices

Comparative dataset **338**

Total cost review

Three year analysis of variance to budget



Observations

Reduced occupancy as a result of the pandemic meant that budgets became quickly outdated and this is reflected in the median budget variance being an under spend against budget of 8% in 2021.

In 2021 and 2022 around 75% of our sample had total spend less than budget. In the latest data, this seems to be trending towards a more even split as to whether the final service charge is higher or lower than the original budget.



Trend analysis

- ▶ The effects of the pandemic meant that lower occupancy levels reduced costs of providing certain services and some repairs and maintenance works were postponed. This trend now seems to be reversing, with a lower proportion of final costs being below the budgeted amount.
- ▶ The rising impact of inflation and the need for remedial work delayed by the pandemic will be contributing factors towards the median variance compared to budget increasing, as these are elements less easy to forecast in the budget set before the accounting period.

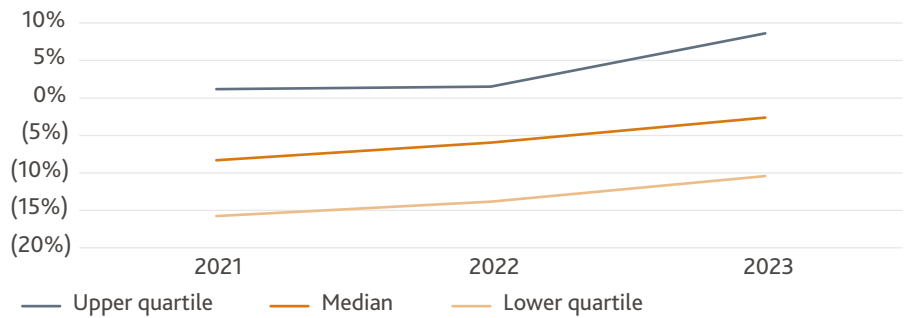
Budget variance

As represented below, median variance is the middle value if all variances were lined up in order when comparing actual total spend with budget for each of the three years. We would expect this to track at around 0% if service charge costs are generally incurred in line with expected costs as set out in the budget. The upper and lower quartile represent the mid-point between the median and the outermost values, therefore showing the degree of spread of values within the normal distribution curve.

The graph below demonstrates the trend for variance between actual service charge spend and budget across the three periods.

Percentage variance to budget

Median variance to budget across three years, quartiles below show the relative spread of variances identified.



	2021	2022	2023
Upper quartile	1%	2%	9%
Median	(8%)	(6%)	(3%)
Lower quartile	(16%)	(14%)	(10%)



Cost class review

Three year analysis of management costs

Management

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.59	0.60	0.62	0.56	0.56	0.59	0.61	0.63	0.61
Accounting fees	0.04	0.04	0.05	0.04	0.05	0.05	0.05	0.05	0.06
Site management resources	0.94	1.09	1.22	0.73	0.70	0.81	0.81	0.85	0.99
Professional fees	0.11	0.13	0.14	0.15	0.14	0.18	0.18	0.18	0.20
Management total	1.68	1.86	2.03	1.48	1.44	1.63	1.65	1.71	1.85



Observations

The overall trend on management costs is an increase across the three years.

The typical value for the higher EPC rated properties (A and B) tended to be higher than others in the dataset.

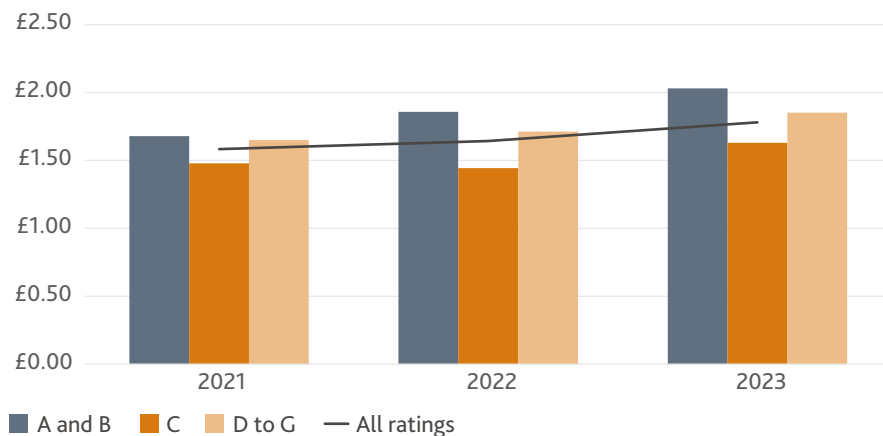


Trend analysis

▶ As noted in the efficiency analysis on pages 13 and 14, it is expected that those buildings achieving a higher EPC grade are at a higher standard of modernisation and are likely to be receiving more services included as part of this category.

Trend review of median values for management cost class

Median value per sq. ft. by EPC rating per year.





Number of offices

Comparative dataset with AC **299**

Cost class review

Three year analysis of utility costs



Observations

The overall trend is a decrease in utilities costs in the 2022 data, with a strong increase in the most recent data across all EPC group categories.



Trend analysis

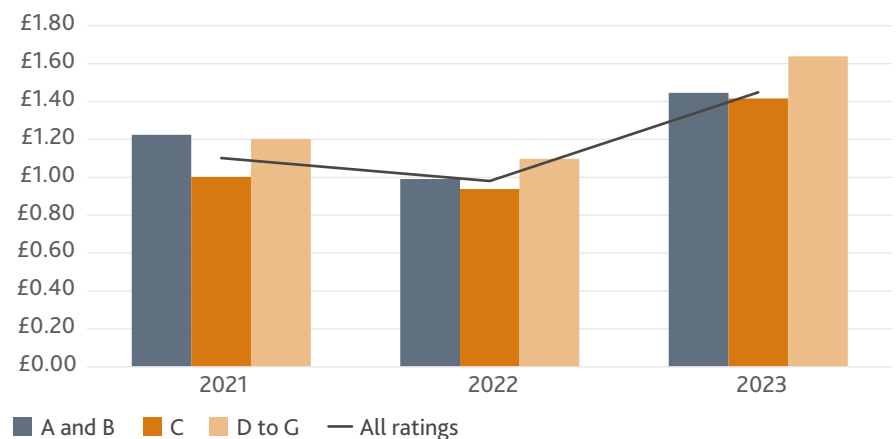
- ▶ Whilst reduced occupancy levels will have impacted the lower costs in 2022, the recent significant increases in electricity and gas had a large impact on costs in the 2023 data.

Utilities

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Utilities									
Electricity	0.86	0.67	0.99	0.59	0.61	0.87	0.67	0.59	1.05
Fuel oil	0.01	0.02	0.01	0.01	0.00	0.02	0.01	0.03	0.02
Gas	0.19	0.15	0.25	0.22	0.17	0.33	0.30	0.30	0.35
Utility consultancy	0.06	0.10	0.08	0.06	0.07	0.09	0.05	0.09	0.09
Water	0.11	0.06	0.11	0.12	0.09	0.10	0.17	0.09	0.13
Utilities total	1.22	0.99	1.45	1.00	0.94	1.42	1.20	1.10	1.64

Trend review of median values for utilities cost class

Median value per sq. ft. by EPC rating per year.





Cost class review

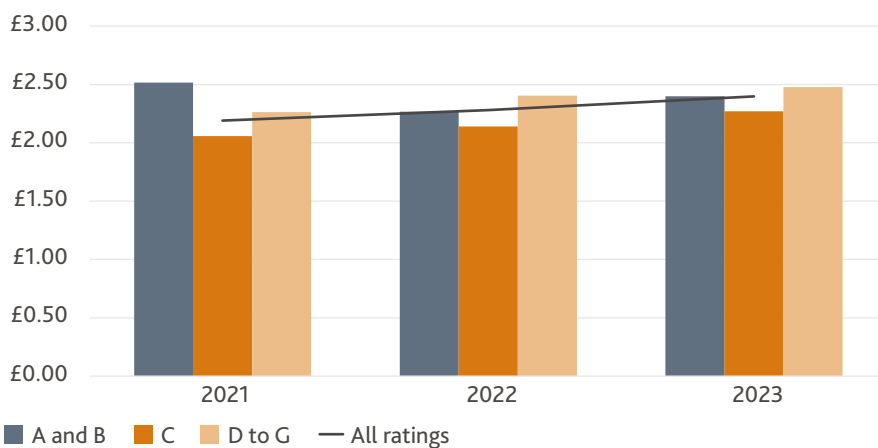
Three year analysis of soft services costs

Soft services

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Soft services									
Cleaning and sustainability	0.96	1.00	1.17	0.87	0.95	1.04	1.10	1.03	1.11
Landscaping and environment	0.03	0.04	0.05	0.07	0.08	0.07	0.05	0.05	0.05
Marketing and promotions	0.00	0.01	0.02	0.01	0.01	0.02	0.01	0.02	0.04
Security	1.53	1.21	1.16	1.10	1.09	1.14	1.11	1.31	1.28
Soft services total	2.52	2.27	2.40	2.06	2.14	2.27	2.26	2.40	2.48

Trend review of median values for soft services cost class

Median value per sq. ft. by EPC rating per year.



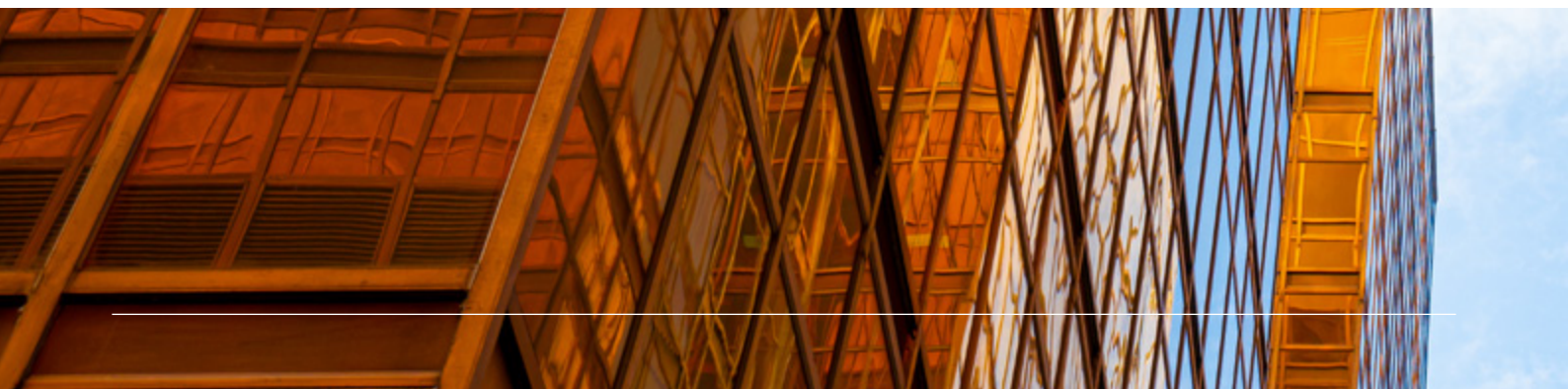
Observations

The trend is of lower costs in the 2021 period, correlating with the pandemic peak, with increases seen in later data. Converse to this trend, security costs in the most efficient buildings have reduced over the three years.



Trend analysis

- ▶ There were changing requirements for building services during the pandemic, and particularly for the highest spec. (correlating with higher efficiency), it is likely that security costs were higher and now falling
- ▶ The overall increase in soft services costs is reflective of wage inflation driving a large element of the cost to provide these services.





Number of offices

Comparative dataset with AC **299**

Cost class review

Three year analysis of hard services costs



Observations

The overall trend is for an increase of costs. The greatest increase was seen in buildings rated 'A and B'.



Trend analysis

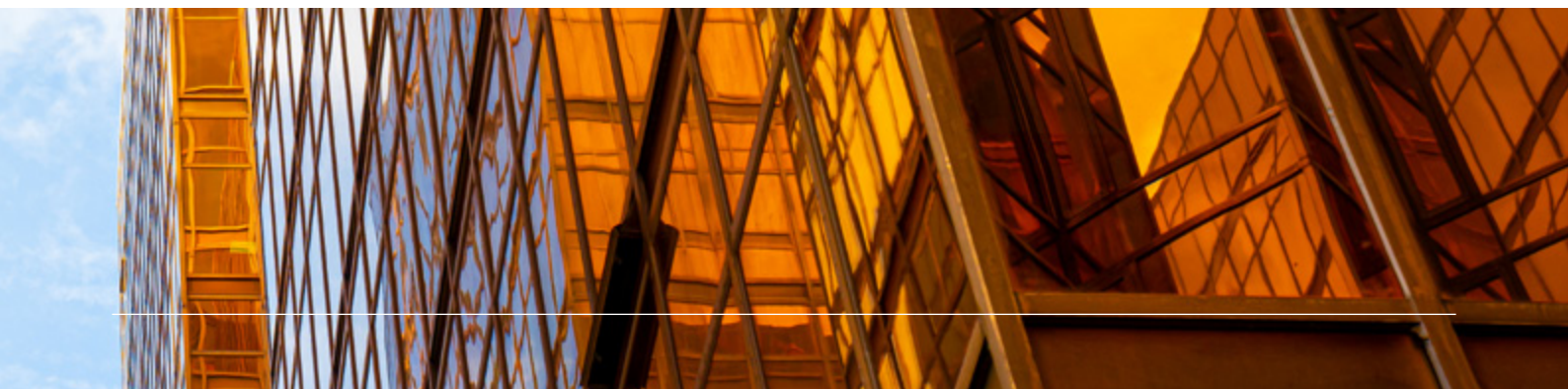
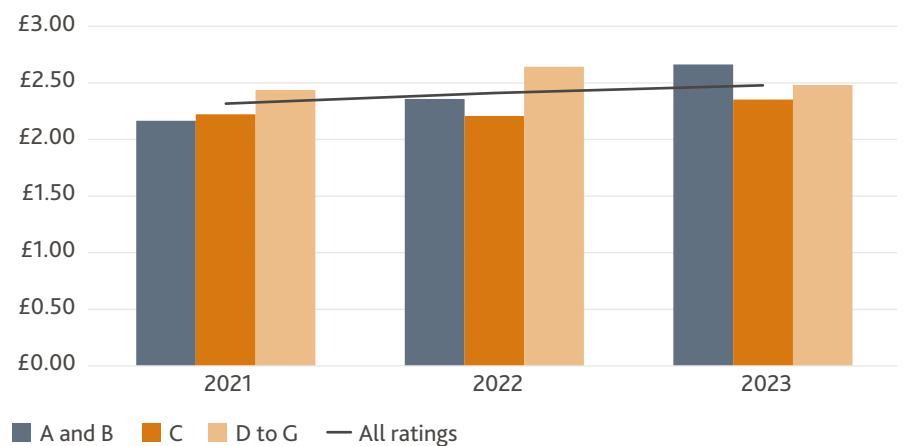
► M&E maintenances form the largest part of the spend in this category. It is likely that the least efficient buildings are in a lesser state of repair, requiring the highest level of spend on M&E. However, the opposite is not necessarily true when looking at the most efficient buildings and this may be associated with the costs required to make the building more efficient or provide a better standard of amenities.

Hard services

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Hard services									
Mechanical and electrical services (M&E)	1.66	1.78	2.03	1.58	1.61	1.68	1.73	1.92	1.85
Lift and escalators	0.18	0.20	0.19	0.17	0.20	0.18	0.18	0.20	0.17
Suspended-access equipment	0.04	0.03	0.03	0.03	0.02	0.01	0.03	0.04	0.03
Fabric repairs and maintenance	0.29	0.34	0.41	0.45	0.38	0.47	0.49	0.48	0.43
Hard services total	2.17	2.36	2.66	2.22	2.21	2.35	2.44	2.64	2.48

Trend review of median values for hard services cost class

Median value per sq. ft. by EPC rating per year.



Shopping centres





Number of shopping centres



Comparative dataset	28
All data	36

Approach and dataset – shopping centres

Approach

The data that forms the basis of this report is taken from the service charge data we hold on our online platform, eMOS (electronic Management Of Service charges). Shopping centres have been categorised according to whether they are enclosed, with doors and a roof covering; or open with no roof covering between units.

This is the first year of our shopping centre analysis. We have a total of 36 service charges relating to shopping centres, with 28 identified with three years of comparative data. We have used this data as follows:



Comparative

Properties where we have three years of expenditure data, allowing us to do meaningful analysis on the trends across three years.

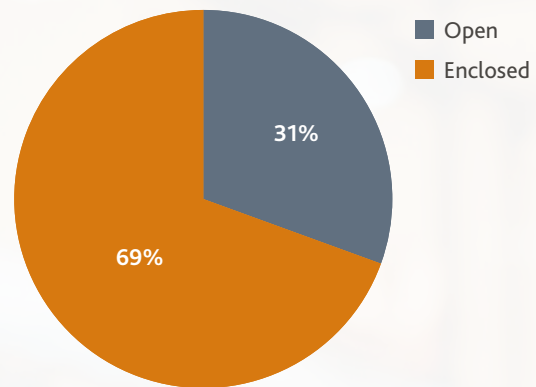


All data

Properties including the comparative dataset where we have the latest year of expenditure, allowing us to do analysis on a slightly larger dataset.

Shopping centre type

Number of shopping centres by type.



Full details of our approach and dataset are set out in the appendix on pages 47 to 54.



Number of shopping centres

Comparative dataset	28
All data	36

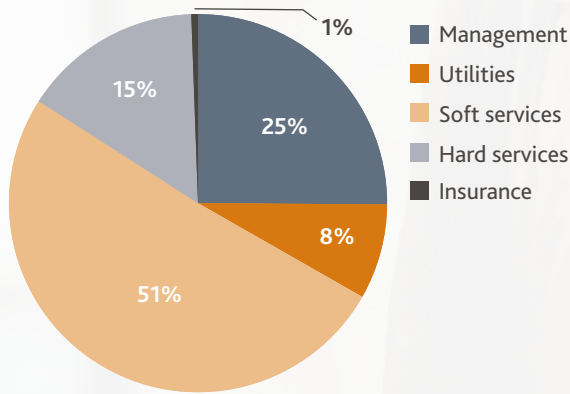


Total service charge reviewed

£41m

Total average service charge split

Overall split of costs based on median data (excluding exceptional and miscellaneous costs)



Approach to data segments

The data has been sliced with a similar approach to the office dataset as follows.

Efficiency

The energy performance certification is an assessment of efficiency and therefore most relevant when considering the energy usage of a building. However, those buildings with the best efficiency ratings (A or B) are likely to be the newest buildings, or those which have had recent investment, and therefore a higher rating is a good indication of the standard of modernisation of a building.

Size

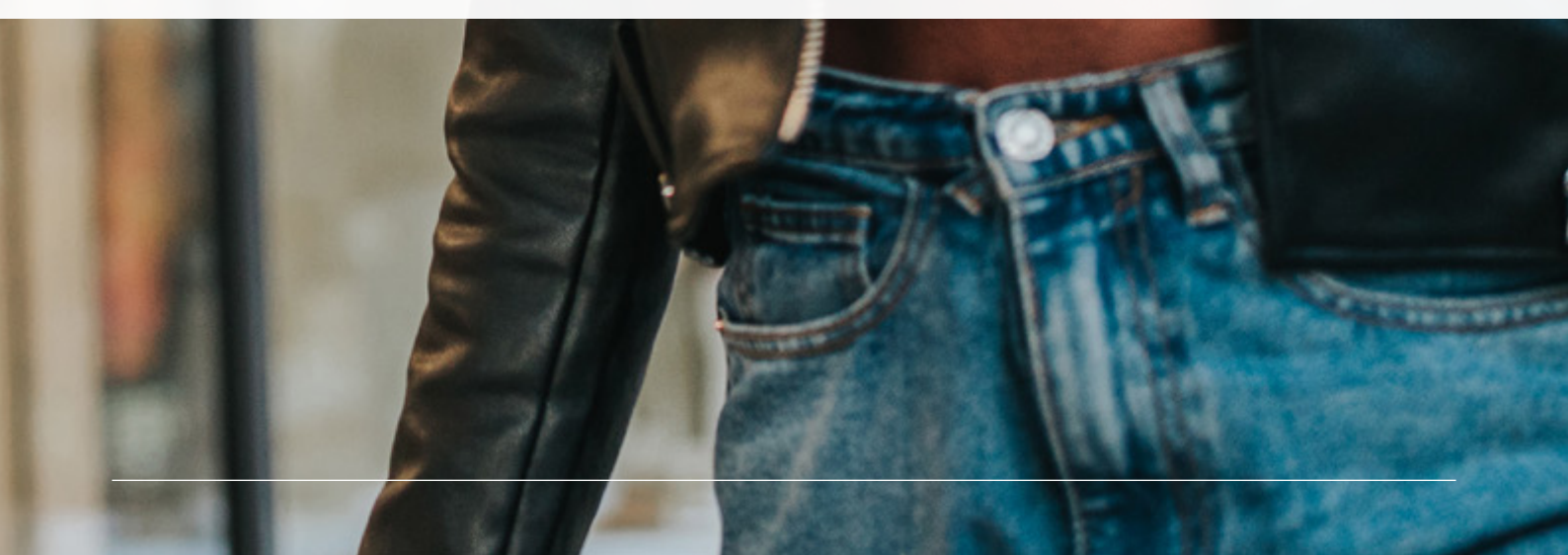
Buildings have been categorised into three sizes based on the floor area as set out in the service charge budget (See definitions of building size on page 33). Service charge costs are driven by costs for the common areas, but it is still expected that economies of scale can be achieved on larger scale operations.

Region

Region has been determined using the postcode for each shopping centre, aligned to those areas with wage differentials.

Sustainability

There are a number of sustainability certification systems available relevant to shopping centres. Although some in our dataset will have a BREEAM rating we did not identify enough to provide a meaningful analysis.



Number of shopping centres



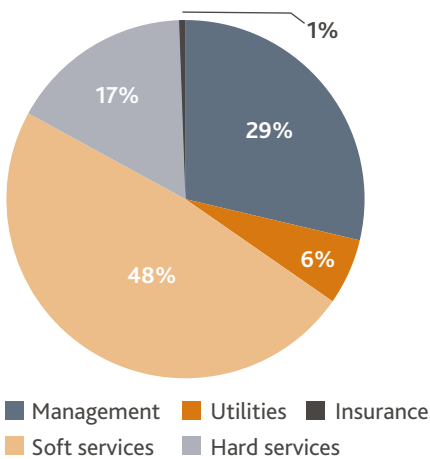
All data

36

Open vs enclosed shopping centres

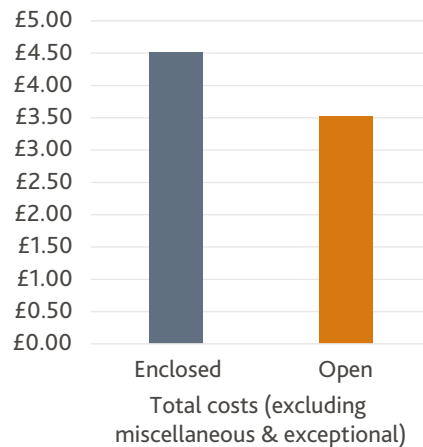
Shopping centres have been categorised according to whether they are enclosed, with doors and a roof covering; or open with no roof covering between units. Due to the relative sample sizes we have compared the service charge costs at total level only. There are 25 enclosed and 11 open assets in our dataset.

Total average service charge split – open

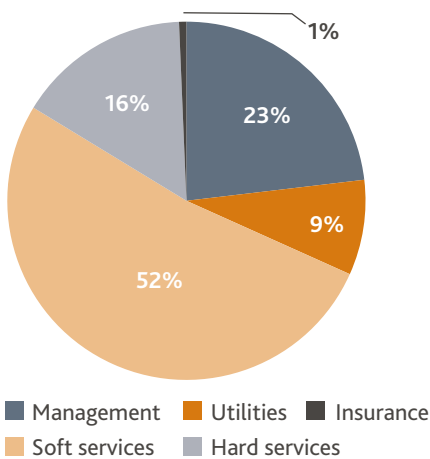


Median total cost per sq. ft.

Median cost per sq. ft.



Total average service charge split – enclosed



Observations

Overall costs for enclosed shopping centres are higher than for the open type. The overall split of spend is very similar with a higher spend on utilities costs in the enclosed shopping centres.

Trend analysis

- ▶ The level of amenities provided at an enclosed shopping centre would tend to be higher than an open site, therefore bringing a higher cost to run
- ▶ A higher proportion of spend on utilities is to be expected due more potential for lighting and heated areas in an enclosed space.





Number of shopping centres

All data

36

Efficiency analysis



Observations

The overall pattern at total cost level is that the most efficient shopping centres have the higher total cost per sq. ft.

When looking at the individual cost categories, there is a variation in how the efficiency rating corresponds with the costs.



Trend analysis

► There is certainly an impact of the most efficient shopping centres having the higher standard of facilities which impacts on other costs. The variation in costs when we analyse at this level reflects the unique nature of each shopping centre.

Efficiency Analysis

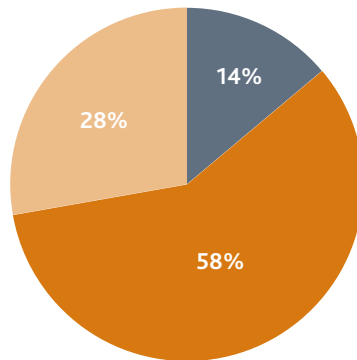
There is a degree of correlation of EPC rating with cost, where higher costs are tending to be seen on the shopping centres with the higher EPC ratings. We have looked in more depth at some of the costs on the next page. Note that our analysis has grouped D to G properties as there were minimal properties rated F or G.

The legend below applies to all graphs on this page.

■ A and B ■ C ■ D to G

Analysis of properties by EPC rating

Percentage of properties by EPC rating.



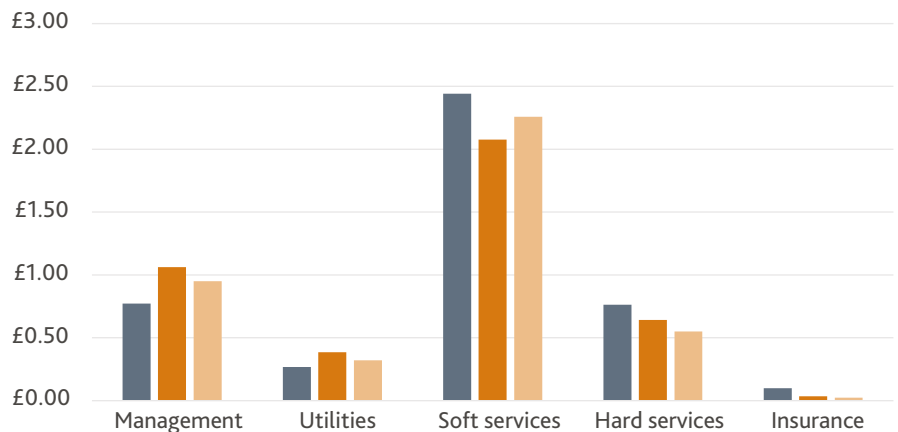
Impact of EPC rating on total costs

Median cost per sq. ft. analysed by EPC rating.



Impact of EPC rating on costs

Median cost per sq. ft. analysed by cost class and EPC rating.



Number of shopping centres



All data

36

Size analysis

Size analysis

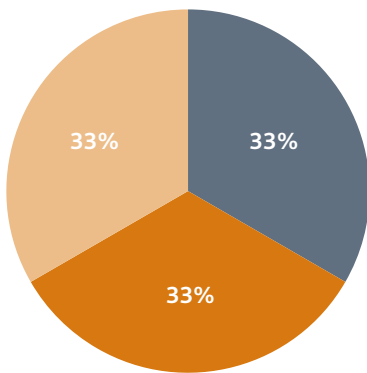
We have analysed our dataset based on total floor area of the shopping centre as reported in the budget. The population has been split into three size categories – small, medium and large – which gives an even spread of assets. Any shopping centres with a footprint below 40,000 sq ft have been excluded from our analysis.

The legend below applies to all graphs on this page.

■ Small ■ Medium ■ Large

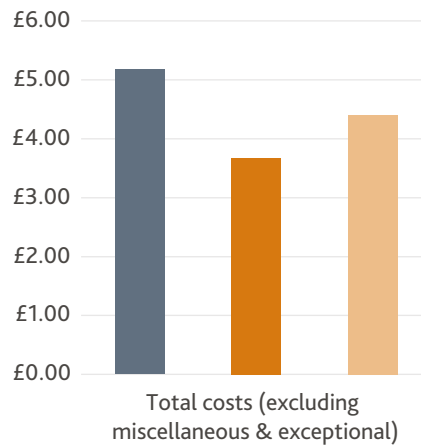
Analysis of properties by size

Percentage of properties by size.



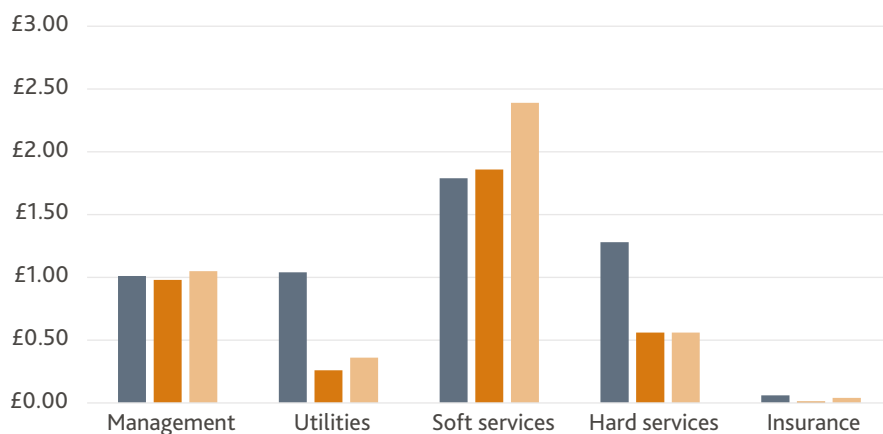
Impact of size on total costs

Median cost per sq. ft. analysed by size.



Impact of size on costs

Median fee per sq. ft. analysed by cost class and building size.



Observations

There is no correlation between the size of the shopping centre and the total costs. At cost category level, for soft services where there is the greatest spend, the largest assets have the highest average cost.



Trend analysis

► It is difficult to draw conclusions from a small sample, a higher spend in soft services may be reflective of a greater provision of cleaning or security services in the larger assets.

Size	Floor area (Sq. ft.)
Small	40,000 to 99,999
Medium	100,000 to 249,999
Large	250,000 and above





Number of shopping centres

All data

36

Regional analysis



Observations

There is a trend towards higher total costs in London, and a similar pattern at cost category level. Again it is soft services which does not correspond with the trend at total level where costs in the South are the highest.



Trend analysis

- ▶ The results follow expected regional variations with the highest median costs found in London driven by higher operational and wage costs
- ▶ As with offices, we see little regional variation in the utilities costs where prices are set at a national level.

Regional analysis

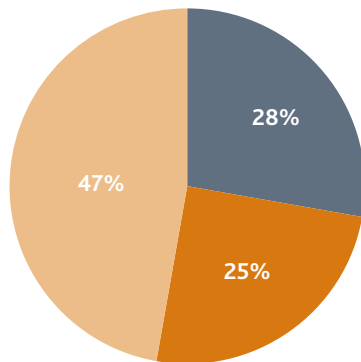
Properties have been mapped to regions as set out in appendix 1 page 54. This has been driven by relative sample sizes and an expectation of higher costs to be found in the south and London regions.

The legend below applies to all graphs on this page.

■ London ■ South ■ Rest of UK

Analysis of properties by region

Percentage of properties by region.



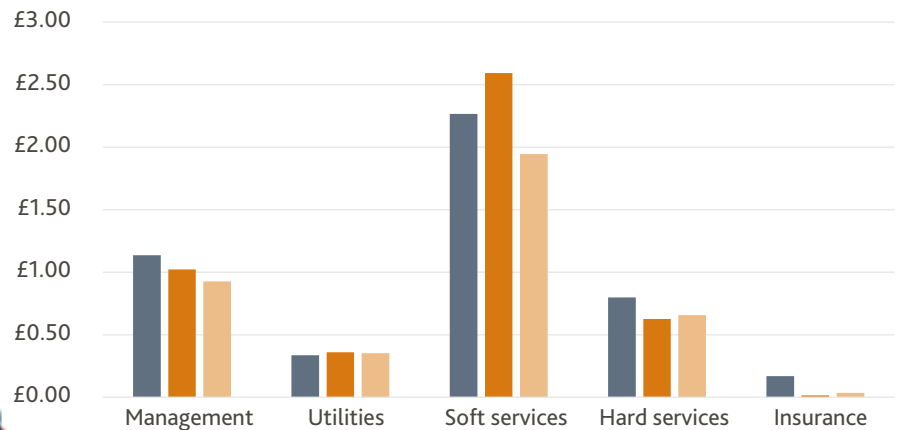
Impact of region on total costs

Median cost per sq. ft. analysed by region.



Impact of region on costs

Median cost per sq. ft. analysed by cost class and region.



Number of shopping centres



Comparative dataset

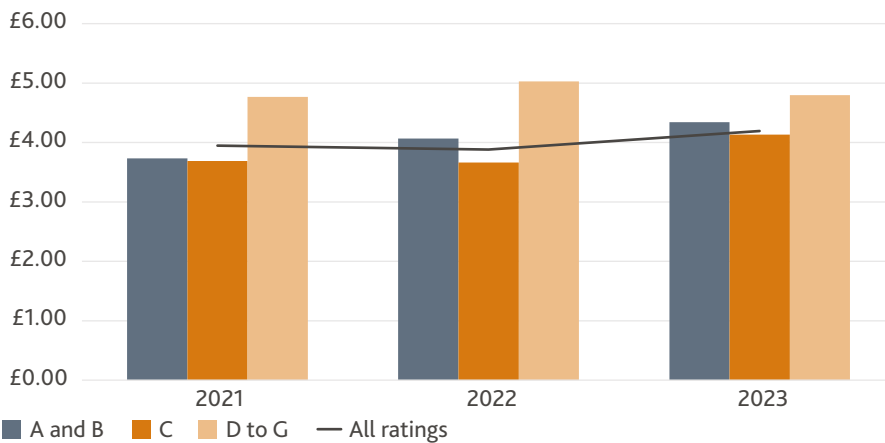
28

Total cost review

Three year analysis by EPC rating

Median total cost per sq. ft. cut by EPC and year

Median taken from each totals for each property within each EPC category excluding exceptional and miscellaneous expenditure.



Observations

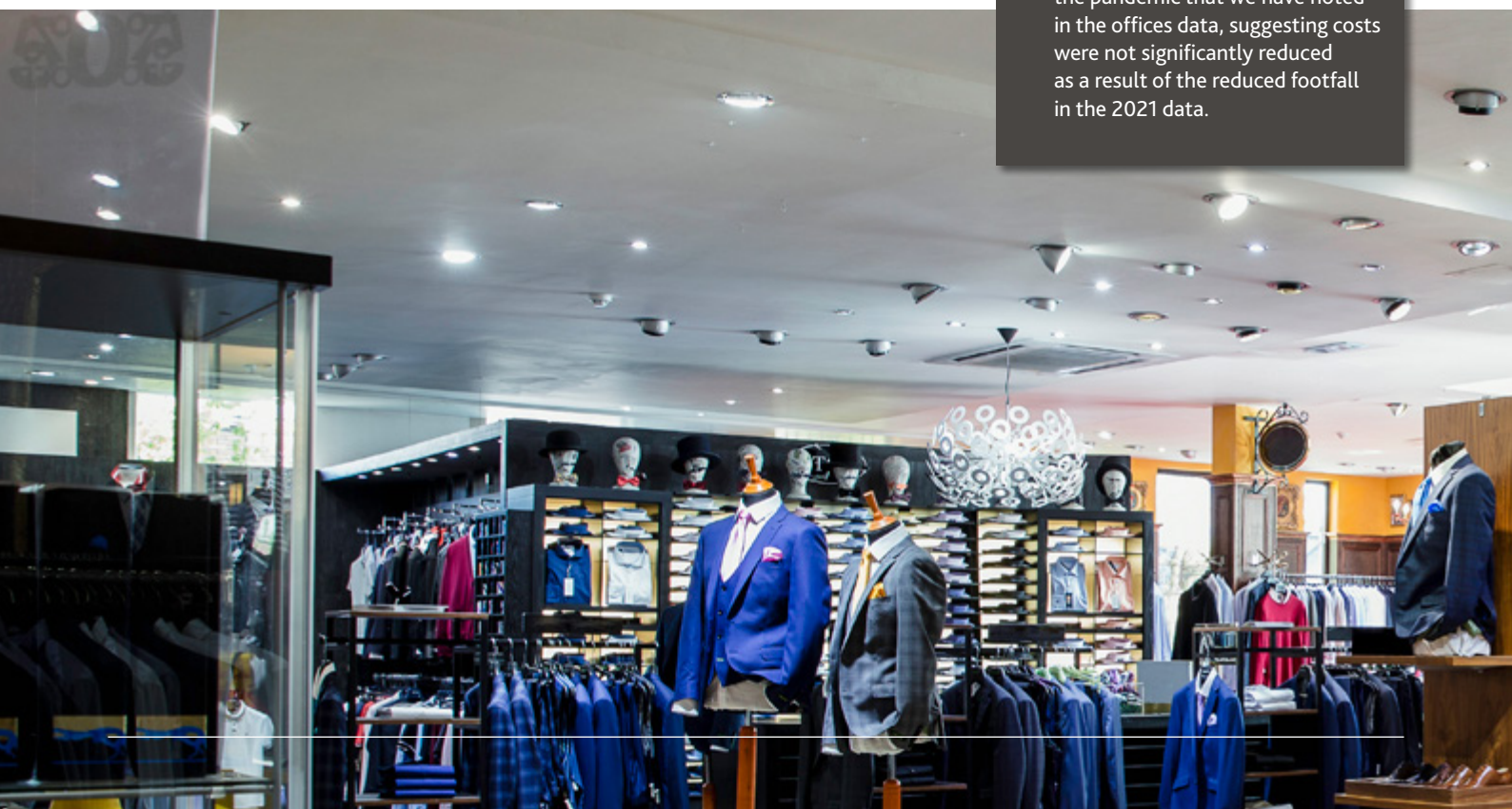
The overall trend across the three years is a slight upward trend in costs across the population, with the exception of the least efficient buildings.

When comparing properties with different efficiency ratings, the trend is not the same, for example total median costs for the D to G rated properties peaked in the 2022 dataset.



Trend analysis

- ▶ There is not the same level of increase in costs seen after the pandemic that we have noted in the offices data, suggesting costs were not significantly reduced as a result of the reduced footfall in the 2021 data.





Number of shopping centres

Comparative dataset

28

Total cost review

Three year analysis by size



Observations

An increase in costs can be seen in the medium sized assets. For the smaller and larger shopping centres, there is little change, with slightly higher costs seen in the 2022 data for the smallest assets.

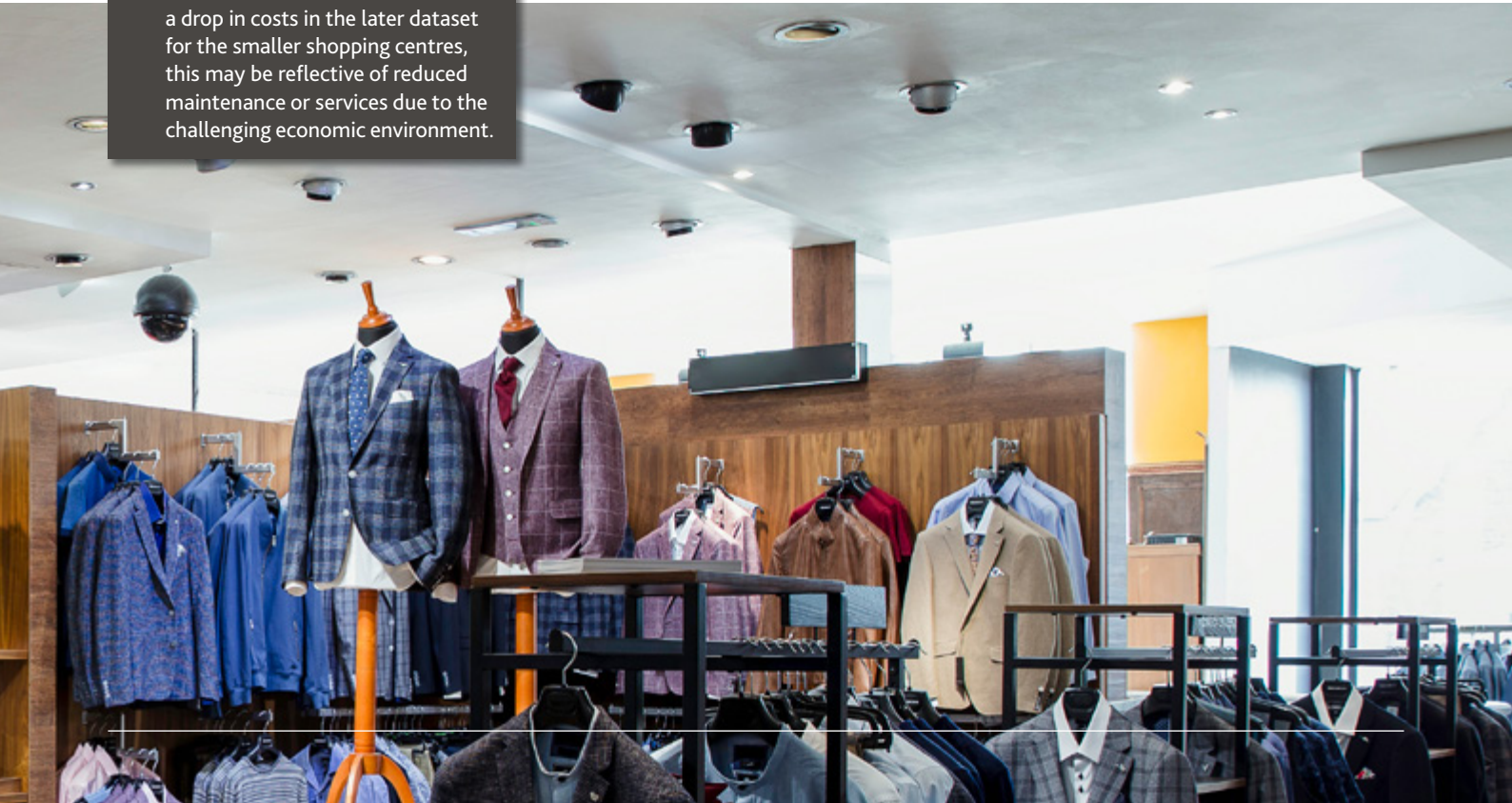
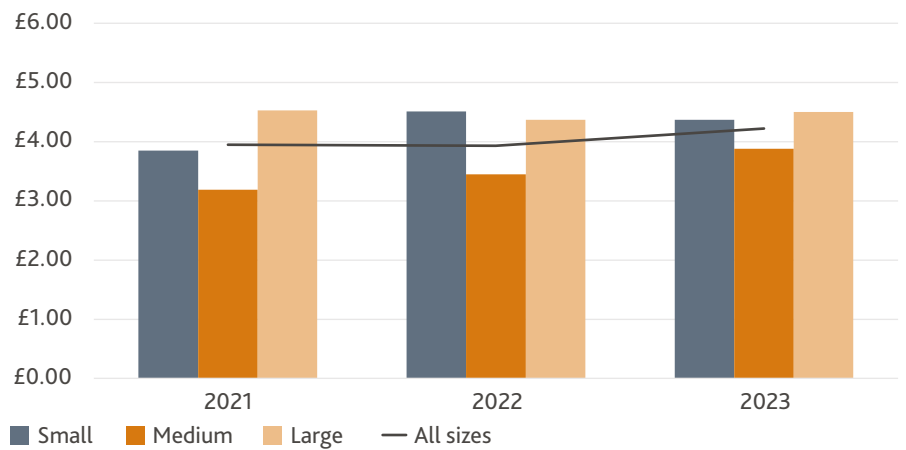


Trend analysis

► There is an overall increase in costs, but this will vary by individual asset. Where there is a drop in costs in the later dataset for the smaller shopping centres, this may be reflective of reduced maintenance or services due to the challenging economic environment.

Median total cost per sq. ft. cut by size and year

Median taken from each totals for each property within each size category excluding exceptional and miscellaneous expenditure.



Number of shopping centres



Comparative dataset

28

Total cost review

Three year tracked against RPI

Median costs tracked against RPI

The movement of median costs has been plotted below against RPI increases across the three years reviewed. The inflation line represented below is taken from the RPI figure at 31 March for each year of the datasets (noting that not all accounting year ends will be aligned to this, but will fall within the preceding twelve months). The comparative dataset has been used, with both open and enclosed shopping centres included to give a broad view across the population.

The top cost categories by percentage of overall service charge has been shown as a separate line to show how key components of service charge costs are tracking against the inflationary movement. The total costs line excludes miscellaneous and exceptional expenses.

Median costs tracked against RPI

Index tracking RPI compared to median total cost per sq. ft.



Observations

Total costs have increased across the three years, but not at the same rate of inflation. Both cleaning and security costs show a dip in the 2022 data, with an increase in the latest data analysed.

Trend analysis

- At total cost level we do not see the same level of increase of costs that we saw in the offices data. Due to the sample size we should not draw conclusion at the individual cost level, but there seems to be a greater degree of cost management and reduction in real terms as retailers are faced with difficult trading conditions.





Number of shopping centres

Comparative dataset **28**

Total cost review

Three year analysis of variance to budget



Observations

Similar to the results observed in the offices analysis, for the first two years of data, the majority of shopping centre service charges had total costs below budgeted. In the most recent data, a small proportion were higher than budget, but most were either 3% or much lower.



Trend analysis

► The analysis suggests that the anticipated spend in the 2021 and 2022 data was much lower than budgeted and therefore spend was cut as a result of the falling footfalls as a result of the pandemic. In the most recent data we can see that despite inflationary pressures costs are being managed tightly to match budgets.

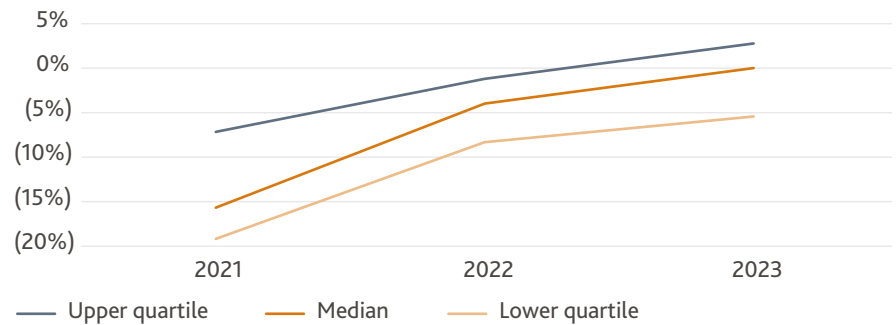
Budget variance

As represented below, the median variance is the middle value if all variances were lined up in order when comparing actual total spend with budget for each of the three years. We would expect this to track at around 0% if service charge costs are generally incurred in line with budgeted costs. The upper and lower quartile represent the mid-point between the median and the outermost values, therefore showing the degree of spread of values within the normal distribution curve.

The graph below demonstrates the trend for variances between actual service charge spend and budget across the three periods.

Percentage variance to budget

Median variance to budget across three years, quartiles below show the relative spread of variances identified.



	2021	2022	2023
Upper quartile	(7%)	(1%)	3%
Median	(16%)	(4%)	0%
Lower quartile	(19%)	(8%)	(5%)





Cost class review

Three year analysis of management costs

Management

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.26	0.28	0.27	0.35	0.31	0.32	0.45	0.45	0.46
Accounting fees	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Site management resources	0.16	0.11	0.44	0.64	0.65	0.65	0.88	0.68	0.54
Professional fees	0.06	0.06	0.04	0.07	0.06	0.07	0.04	0.04	0.05
Management total	0.51	0.46	0.77	1.08	1.04	1.06	1.39	1.20	1.06



Observations

There is a very slight decrease overall in the management category across the three years. Assets with the highest efficiency ratings have the average lowest costs in this category.

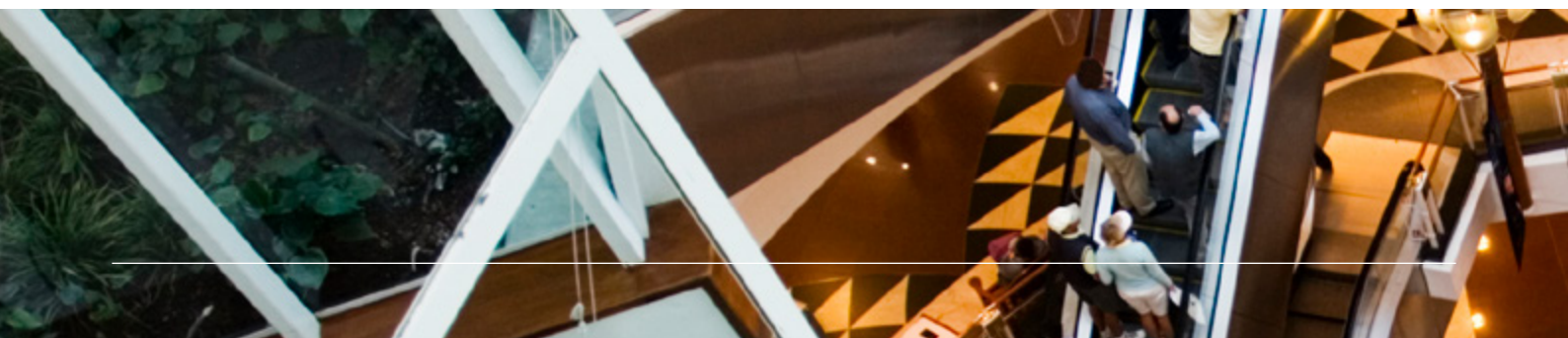
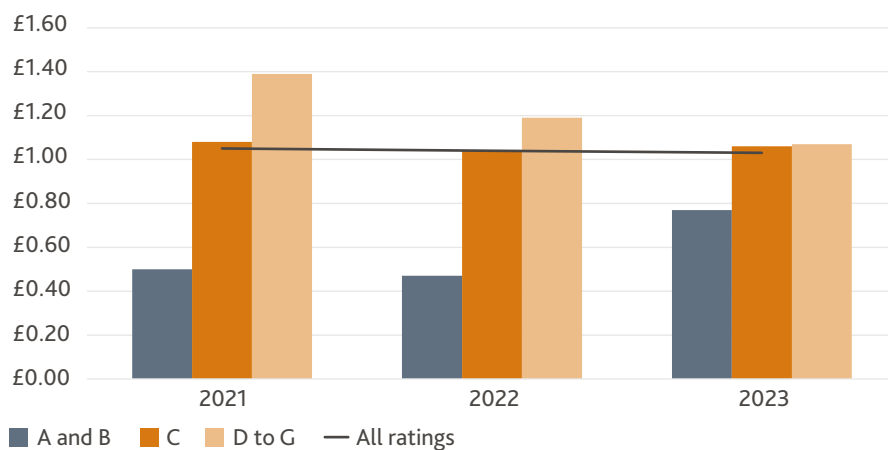


Trend analysis

Management costs are likely to be the category where property managers have the greatest control and fixed fees will be agreed in advance for management fees in line with the RICS Professional Statement.

Trend review of median values for management cost class

Median value per sq. ft. by EPC rating per year.





Number of shopping centres

Comparative dataset **28**

Cost class review

Three year analysis of utility costs



Observations

There is a small overall increase in utilities costs across the three years of data. The largest proportion of spend is on electricity, but this is still relatively low as proportion of total costs. Utilities only represents around 8% of the service charge costs as most energy costs will be incurred by individual retail units.



Trend analysis

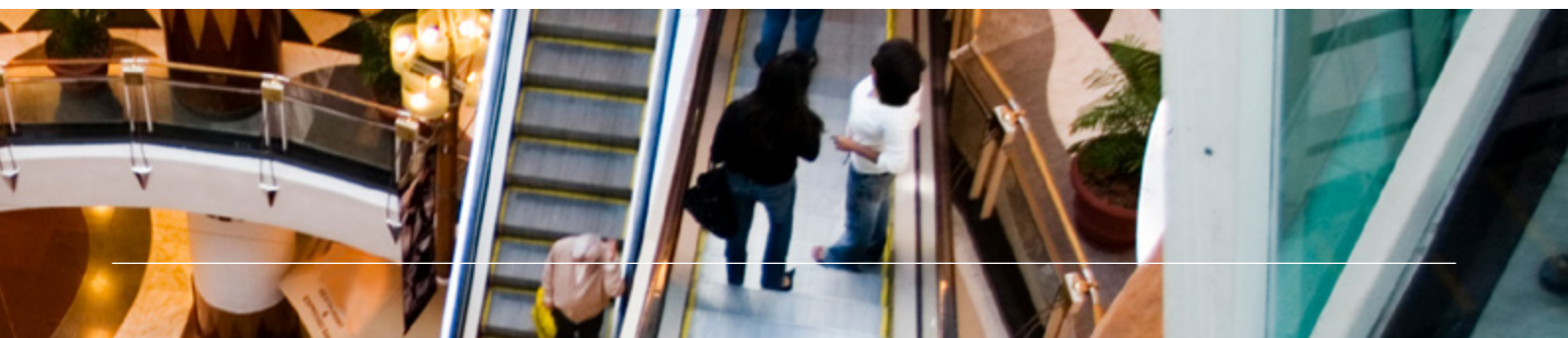
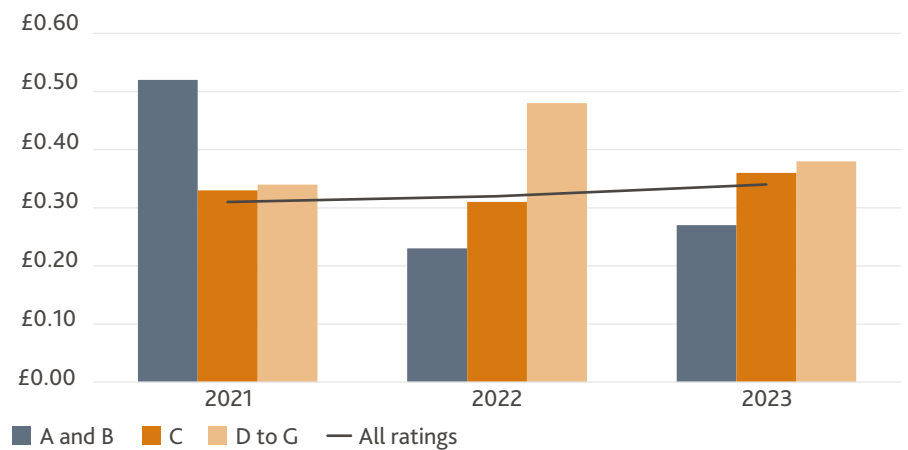
► There is a significant difference in the three year trend between the different efficiency ratings. Service charge costs for utilities appear to have been insulated from the impact of inflation in our data and may be reflective of contracts agreed well in advance, or changing requirements.

Utilities

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Utilities									
Electricity	0.41	0.18	0.19	0.23	0.23	0.27	0.26	0.37	0.31
Gas	0.01	0.01	0.01	0.05	0.03	0.05	0.03	0.03	0.04
Fuel oil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Water	0.08	0.02	0.04	0.04	0.04	0.03	0.04	0.06	0.02
Utility consultancy	0.02	0.02	0.03	0.01	0.01	0.01	0.01	0.01	0.00
Utilities total	0.51	0.23	0.27	0.33	0.32	0.36	0.33	0.47	0.39

Trend review of median values for utilities cost class

Median value per sq. ft. by EPC rating per year.





Cost class review

Three year analysis of soft services costs

Soft services

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Soft services									
Security	0.91	0.93	0.97	0.64	0.64	0.83	0.98	1.02	1.07
Cleaning and sustainability	0.85	0.97	0.95	0.89	0.88	1.09	1.35	1.53	1.49
Landscaping and environment	0.18	0.25	0.24	0.08	0.06	0.07	0.08	0.12	0.14
Marketing and promotions	0.27	0.38	0.29	0.10	0.08	0.06	0.05	0.05	0.05
Soft Services Total	2.20	2.52	2.44	1.71	1.65	2.05	2.45	2.72	2.74



Observations

Most of the soft services spend is on cleaning or security costs. The overall trend is for the lowest costs found in the 2022 dataset.

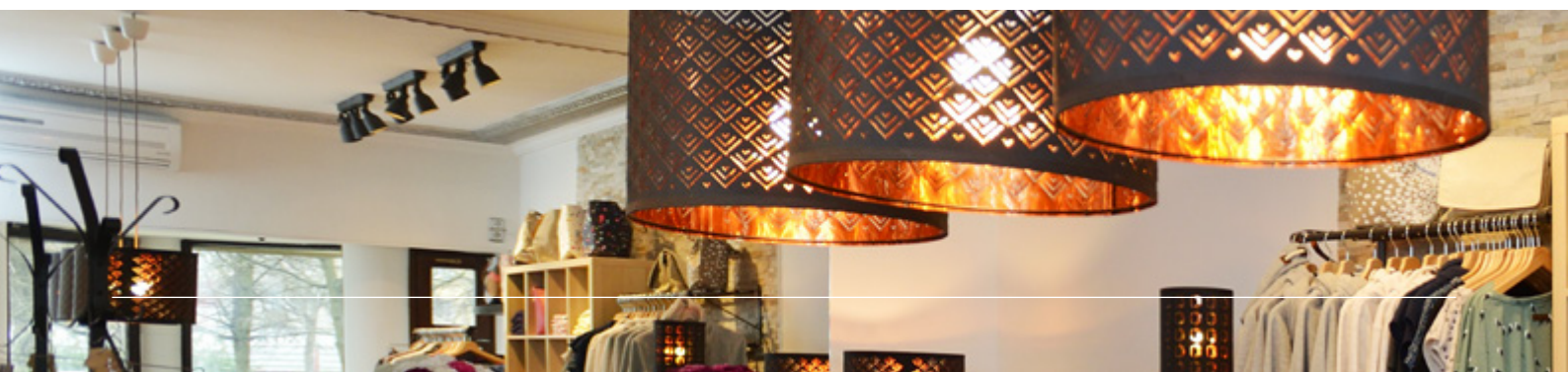
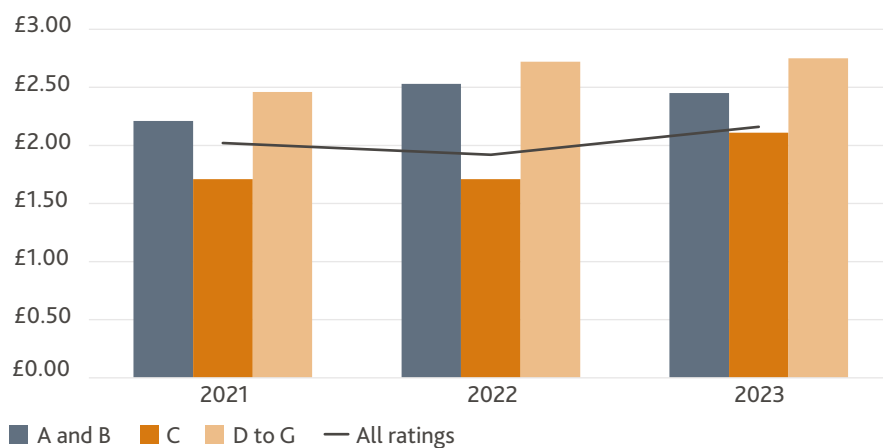


Trend analysis

There is an increase in cleaning and security costs in the latest of the dataset which is a result of the impact of wage inflation. However this increase is modest when comparing to UK inflation in a similar period.

Trend review of median values for soft services cost class

Median value per sq. ft. by EPC rating per year.





Number of shopping centres

Comparative dataset **28**

Cost class review

Three year analysis of hard services costs



Observations

The majority of the spend in the hard services category is on mechanical and electrical services. The overall trend across the three years is an increase, although this varies according to the efficiency rating of the building.



Trend analysis

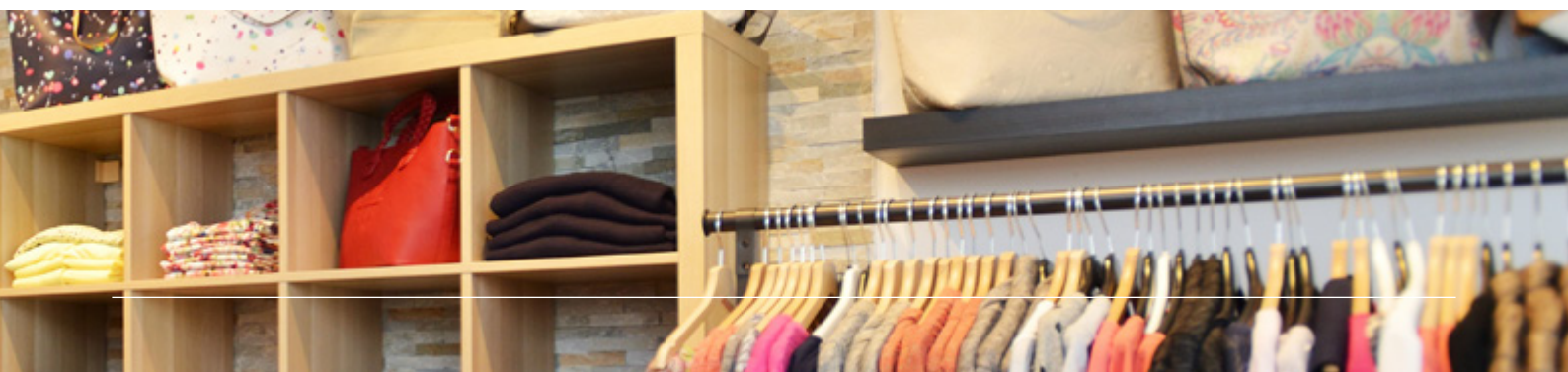
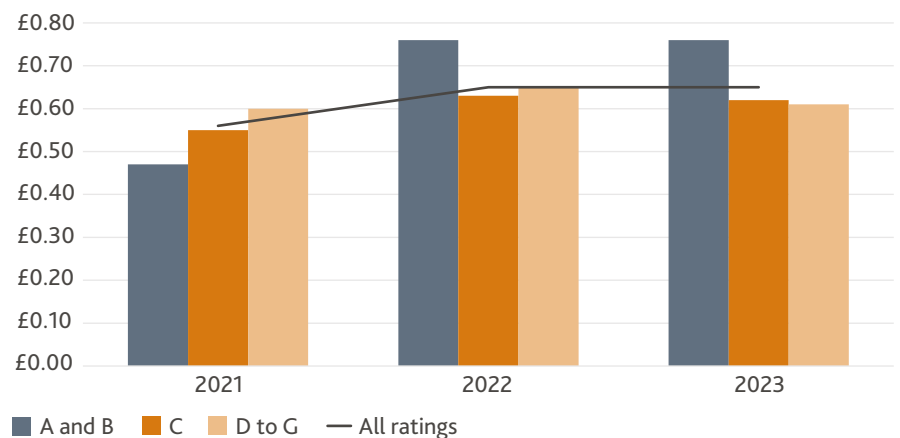
▶ Although there is an increase in costs, this is not significant in comparison to overall inflation seen in the period, and a reduction in real terms for the latest dataset.

Hard services

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Hard services									
Mechanical and electrical services (M&E)	0.22	0.46	0.42	0.29	0.33	0.32	0.28	0.34	0.37
Lift and escalators	0.05	0.07	0.07	0.08	0.09	0.08	0.09	0.17	0.08
Suspended-access equipment	0.00	0.00	0.00	0.01	0.01	0.01	0.00	0.00	0.00
Fabric repairs and maintenance	0.20	0.23	0.27	0.17	0.20	0.21	0.23	0.14	0.16
Hard services total	0.46	0.77	0.76	0.57	0.64	0.63	0.60	0.64	0.61

Trend review of median values for hard services cost class

Median value per sq. ft. by EPC rating per year.



Sector review from the BDO Retail Team



Sophie Michael
Partner, BDO LLP
National Head of Retail

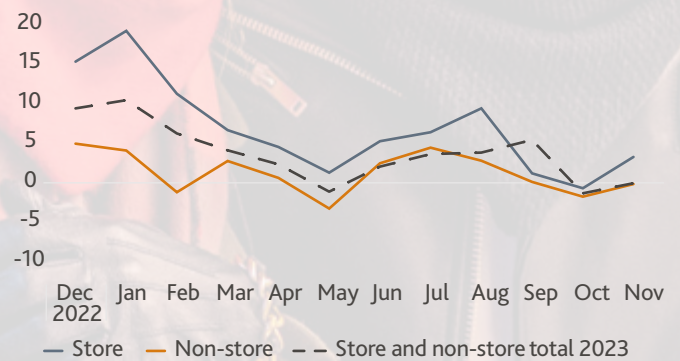
The BDO High Street Sales Tracker

The BDO High Street Sales Tracker (HSST) outlines the weekly sales changes of more than 85 retailers with some 10,000 individual stores. These are mainly located on high streets throughout the UK. As such it provides a very good indication of underlying trading conditions without the distorting effect of large grocery-based retailers, as well as changes in retail capacity.

The tracker has been running for over fifteen years, and the results are closely followed by industry and city analysts, while retailers use the results to benchmark performance.

The years since the COVID-19 pandemic have been tough for UK retail generally as inflation, interest rates and the costs of living and operating a business have grown. This has been exacerbated over the past 12 months since the Russian invasion of Ukraine and its effect on commodity prices and trade. Over the past year, the HSST has shown a slowdown in retail as shoppers became more circumspect in their spending, reflecting the tightening household budgets and the effects of the rising costs of living. For the first time since 2015, each month of the Golden Quarter (the three months to December in which retailers can make a majority of their yearly profits) was negative, with December recording one of the darkest months on record.

Total like for like sales Dec 2022 - Nov 2023



Source: BDO High Street Sales Tracker

2023 witnessed a widening gap between store and non-store like for like sales throughout much of the year. However, the final quarter of 2023 saw store sales dip into negative territory, pulled down by a steep drop in store fashion sales in October — the first negative store performance since February 2021.

Non-store sales continued to show mixed results, perhaps due to buyer fatigue, with online sales following a boom in e-commerce through the COVID-19 pandemic.

The BDO retail team

We are a market leader in the retail sector and our team of over 1,000 specialists support many of the most well-known brands in the industry. We provide meaningful insight and support to drive results for your business.

The breadth of our services and the depth of our commercial and technical expertise allow us to be agile, responsive and approachable. Most importantly, we are passionate about helping you and your consumer business find success.

[Download the latest Retail Forecast Report](#)



Future developments

This report represents our second year of PropCost, broadening our dataset to include shopping centres as we build on the analysis we are able to provide. The overall vision for PropCost is a much broader scope of property types and to transfer the analysis to an online tool which can be customised to the user.

In 2023 we launched eMOS IV, our latest version of our service charge platform which has improved our capabilities to harness the information associated with the service charge work we deliver to our clients.



Wider sectors

PropCost will be developed to provide analysis into broader retail types, industrial parks and business parks. We are developing eMOS IV to capture and verify standing data points to give greater integrity to our analysis in the long term.



Online tool

eMOS IV is driven by a newly designed database as the foundation of our independent reviews. We are developing this to provide real time access to benchmarking information verified by BDO.



Contributors

The key to the success of PropCost as an independent tool which can add real value to the sector is a solid dataset. If you are interested in becoming a contributor then please get in touch with the team.



It has been great to see our dataset grow by over 20% in the second year of PropCost. My aim is for this platform to continually add value to our clients by helping to provide a greater insight to their own data. As we increase the dataset and sectors covered, the more valuable those insights will be. If you would like to talk to me about PropCost and how to become a contributor, please get in touch.

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Appendix 1 – Methodology

i Approach and dataset

Approach – all data

- ▶ Data has been taken from nine contributors who have data stored on eMOS
- ▶ All expenditure held within the eMOS database is aligned to RICS categories and therefore this mapping has been transferred across to our dataset. Some exceptional costs have been excluded as they are very specific to individual properties and would not be useful for the analysis. These include items such as irrecoverable VAT and income operating expenses
- ▶ The expenditure information analysed in this report is taken from actual expenditure reviewed by BDO in line with the RICS Professional Statement for Service Charges in Commercial Property and has therefore been classified in line with the standard cost categories, and only included where this review has been completed. All expenditure is therefore final, and only included where we have a full year of data.
- ▶ In addition to the expenditure information, we have also sourced standing information by working with our contributors and information available in the public domain
- ▶ For our analysis we have excluded exceptional and miscellaneous costs as these are costs outside of day-to-day running costs of a building.



Office data

The dataset comprises of 408 service charges, the breakdown of these is shown below cut by both EPC rating and size.

Most modern buildings will have air conditioning with a significant impact on energy usage and other associated costs to maintain the systems. We have separated the dataset to take account of this impact.

Expenditure data has been taken for buildings for which office is the majority type of usage, this judgement was based on floor area as set out in the budget.



Shopping centre data

The dataset comprises of 36 service charges, the breakdown of these is shown below cut by both EPC rating and size.

Office dataset cut by EPC rating

Air conditioning	A	B	C	D	E to G	Total
Yes	11	76	123	110	43	363
No	2	3	15	13	12	45
Total	13	79	138	123	55	408

Office dataset cut by size

Air conditioning	Small	Medium	Large	Total
Yes	182	85	96	363
No	34	7	4	45
Total	216	92	100	408

Shopping centre dataset cut by EPC rating

	A and B	C	D to G	Total
Total	5	21	10	36

Shopping centre dataset cut by size

	Small	Medium	Large	Total
Total	12	12	12	36

Appendix 1 – Methodology

i Approach and dataset

Datasets

The data has been classified in two datasets:

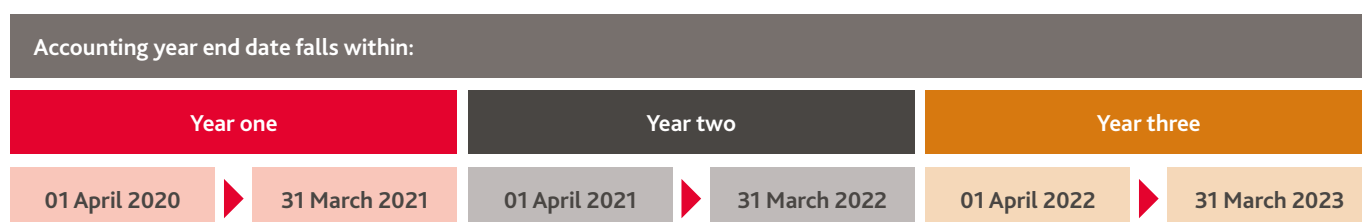
'Comparative' and 'All data'

- ▶ **Comparative:** Properties where we have three years of expenditure data, allowing us to do meaningful analysis on the trends across three years
- ▶ **All data:** Properties including the above where we have the latest year of expenditure allowing us to do analysis on a slightly larger dataset.

Of the 408 offices dataset, 338 were identified to have three years worth of comparative data. Of the 36 shopping centre dataset, 28 were identified to have three years of comparative data. The breakdown of these is shown below cut by both EPC rating and size.

The accounting year-end date has been used to determine which 'year' expenditure data is assigned to. The three periods analysed refer to:

- ▶ **2021:** Year-ends which fall within the period 1 April 2020 to 31 March 2021
- ▶ **2022:** Year-ends which fall within the period 1 April 2021 to 31 March 2022
- ▶ **2023:** Year-ends which fall within the period 1 April 2022 to 31 March 2023 (being the latest year of data).



Office dataset cut by EPC rating

Air conditioning	A	B	C	D	E to G	Total
Yes	6	60	102	93	38	299
No	0	2	15	11	11	39
Total	6	62	117	104	49	338

Office dataset cut by size

Air conditioning	Small	Medium	Large	Total
Yes	158	65	76	299
No	32	5	2	39
Total	190	70	78	338

Shopping centre dataset cut by EPC rating

	A and B	C	D to G	Total
Total	5	17	6	28

Shopping centre dataset cut by size

	Small	Medium	Large	Total
Total	9	8	11	28

Appendix 1 – Methodology

i Approach and dataset

Cost per square foot calculations

- ▶ Cost per square foot (sq. ft.) has been used as the basis for our analysis
- ▶ Cost per sq. ft. is calculated by taking total service charge costs for the year divided by the area of the property. This gives the results of a pound (GBP) per sq. ft. value
- ▶ Whilst there are different approaches that can be taken to calculate the net lettable area of a building, the sq. ft. area for our data was sourced from the service charge budget packs for consistency
- ▶ Cost per sq. ft. allows for comparison and analysis to be completed effectively between differing sizes of buildings.

Worked example 1 – cost per square foot

For each individual property, the cost per sq. ft. of each fee type is calculated by dividing the years expenditure by the properties total area (in sq. ft.). See below worked example for further explanation.

Cost class: Soft services	Expenditure total	Property area (sq. ft.)	Cost per (sq. ft.)
Security	£55,000	50,000	£1.10
Cleaning & environmental	£47,500	50,000	£0.95
Landscaping & environmental	£7,500	50,000	£0.15
Marketing & promotions	£500	50,000	£0.01

Appendix 1 – Methodology

i Approach and dataset

Use of median value

- ▶ Median has been used for our primary analysis of cost per sq. ft.
- ▶ The median is the value found by lining up all values for a data point, and selecting the item at the mid-point
- ▶ This is an effective way of reducing the impact of outlier values, and returns a value that is likely to be found within a 'typical' service charge reconciliation
- ▶ For our analysis we have excluded zero values so that results are not skewed by expenditure lines where there is simply no spend incurred
- ▶ The benefit of this is that we are able to report true 'typical' values and that the effect of outliers does not disproportionately impact the result.

Worked example 2 – median calculation

For each individual fee type, the cost per sq. ft. for each property with expenditure in that line is collated and a median is calculated from these figures. See below worked example for further explanation.

Cost class: Soft Services	Cost per sq. ft.			Median
	Property A	Property B	Property C	
Security	£1.10	£0.87	£0.80	£0.87
Cleaning & environmental	£0.95	£1.07	£0.80	£0.95
Landscaping & environmental	£0.15	£0.10	£0.12	£0.12
Marketing & promotions	£0.01	£0.02	£0.01	£0.01
Soft services total				£1.95

In the above example, there are three properties with security costs, properties A, B & C. These figures of £1.10, £0.87 and £0.80 are collated and a median is calculated of £0.87 per sq. ft. The total for the cost class is the total of the median values identified for each cost category within the class.

This calculation is completed for all fee types, and these are the figures represented in each of the median cost per sq. ft. tables throughout the report.

Appendix 1 – Methodology

i Approach and dataset

Worked example 3 – percentage tables

Each percentage table is based on the relevant median cost per sq. ft. table immediately preceding it. The basis of these tables is to take each median cost per square foot from the preceding table and divide it by the grand total cost. Thereby producing a % for each fee type and cost class total the represents the proportion it makes up of total costs. See below worked example for further explanation.

Cost class: Soft services	Median cost per sq. ft.	%
Security	£1.26	15.3%
Cleaning & environmental	£1.12	13.6%
Landscaping & environmental	£0.05	0.6%
Marketing & promotions	-	0.0%
Soft services total	£2.43	29.5%
Grand total	£8.22	100.0%

In the above example, security costs have a median cost per sq. ft. of £1.26. There is a grand total median cost per square foot of £8.22. Therefore, security costs make up 15.3% of total costs ($1.26/8.22=15.3\%$).



Sources

[International Building Operations Standard \(rics.org\)](https://www.rics.org)

[Service Charges in Commercial Property, 1st edition \(rics.org\)](https://www.rics.org)

Appendix 1 – Methodology

ii Efficiency and size

Efficiency

- ▶ The EPC ratings for each property have been sourced using government websites which publish the relevant data. For properties in England, Wales or Northern Ireland, GOV.UK was used. For properties in Scotland, the Scottish EPC Register was used (see sources below)
- ▶ Where multiple ratings for a single address were available the most relevant EPC was selected either by reference to the common areas or majority floor space
- ▶ Data has been cut in two ways in our analysis:
 - A and B, C, D to G
 - A, B, C, D, E to G.
- ▶ Data has been cut by 'A and B' 'C' and 'D to G' to give an even split of data between ratings for our three year trend analysis. Where we analysed the full dataset, we have cut the data at a more granular level
- ▶ Whilst the current MEES relates to F and G rated properties, there were very few in our sample. So in both cases, these properties are grouped in with other ratings.

Size

- ▶ Buildings have been categorised into three sizes based on the floor area as set out in each service charge budget
- ▶ The size categories were set in this way to give an even split within the dataset.

Offices

Size	Floor area (Sq. ft.)
Small	0 to 49,999
Medium	50,000 to 99,999
Large	100,000 and above

Shopping centres

Size	Floor area (Sq. ft.)
Small	40,000 to 99,999
Medium	100,000 to 249,999
Large	250,000 and above



Sources

[Find an Energy Certificate - GOV.UK](#)

[Scottish EPC Register](#)

[UK to enshrine mandatory climate disclosures for largest companies in law - GOV.UK](#)

Appendix 1 – Methodology

iii Sustainability

- ▶ There are a number of sustainability certification systems available. We have looked at BREEAM ratings as an example of a holistic approach to a buildings environmental impact
- ▶ Where both interim and final stage assessments were identified for a single address. The most recent certification date was used to determine the relevant rating.



Sources

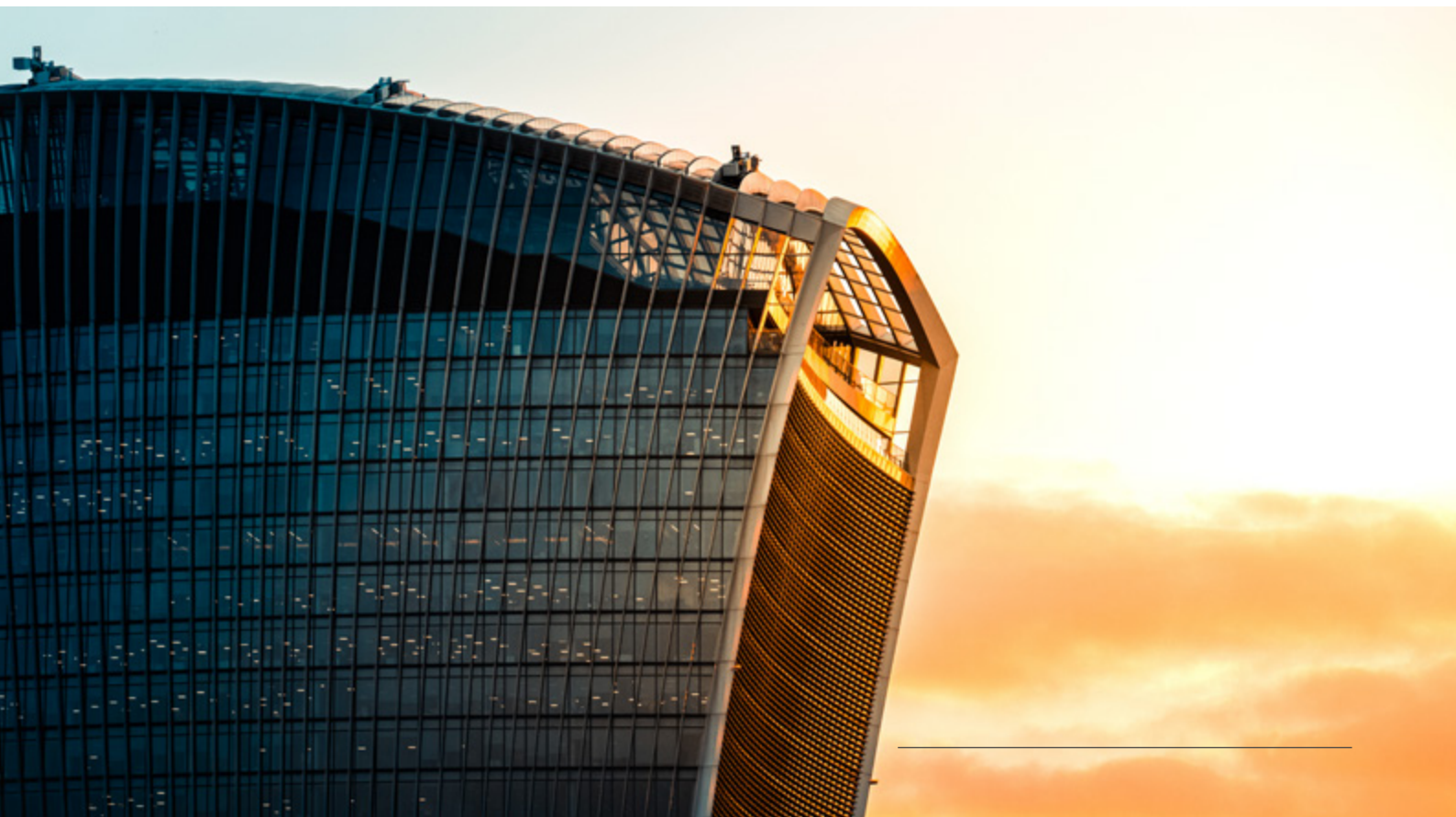
<https://bregroup.com/>

<https://tools.breeam.com/projects/explore/buildings.jsp?sectionid=0&projectType=&rating=&certNo=&buildingName=more+london&client=&developer=&certBody=&assessor=&location=&countryID=0&partid=10023&Submit=Search>

<https://www.rics.org/news-insights/rics-sustainability-report-2023>

<https://www.cbre.co.uk/insights/figures/sustainability-index-2023>

<https://www.jll.co.uk/en/trends-and-insights/research/sustainability-and-value-capital-markets-central-london-offices>



Appendix 1 – Methodology

iv Region

Postcodes were sourced for each property from both BDO and contributor databases. These were then mapped to regions as set out below. The regions were selected to give reasonable sample sizes and an expectation of higher costs to be found in the south and London regions where a large amount of data was available.

Offices

- Central London**
E14, EC16, EC1, W1, WC

- Greater London (excluding above specific areas)**
E, EC, N, NW, SE, SW, W, BR, CR, DA, EN, HA, IG, KT, RM, SM, TW, UB, WD

- South**
AL, BA, BH, BS, CM, CO, DT, EX, HP, LU, PL, SG, SN, SP, SS, TA, TQ, TR, BN, CT, GU, ME, PO, RG, RH, SL, SO, TN

- Rest of the UK**
Includes all areas not included above

Shopping centres

- London**
E, EC, N, NW, SE, SW, W, WC, BR, CR, DA, EN, HA, IG, KT, RM, SM, TW, UB, WD

- South**
AL, BA, BH, BS, CM, CO, DT, EX, HP, LU, PL, SG, SN, SP, SS, TA, TQ, TR, BN, CT, GU, ME, PO, RG, RH, SL, SO, TN

- Rest of the UK**
Includes all areas not included above



Appendix 2 – Three year review

i RPI & budget methodology

RPI

Consistent with the examples on page 50, the median costs per sq. ft. have been calculated for the relevant cost categories for all buildings, with both air conditioned, and non-air conditioned buildings included to give a broad view across the population. We selected the top cost categories by percentage of overall service charge costs and the total costs line excluding miscellaneous and exceptional expenses for comparison against inflation.

Our measure of inflation has been taken from the Office for National Statistics (ONS) long run dataset tracking inflation and has been rebased to 31 March 2021 for comparison with our data. The inflation line is taken from the RPI figure at 31 March for each year of the datasets (noting that not all accounting year ends will be aligned to this, but will fall within the preceding twelve months). We have rebased each of our line items to compare relative increases or decreases in costs across the years.



Sources

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/cdko/mm23>

Budget variance

The variance to budget has been calculated by subtracting total service charge budget for the year from total service charge costs for the year, then dividing the result by total service charge budget for the year to give a % overspend (positive) or % under spend (negative).

The budget values for each service charge are taken from the data stored in eMOS.

Worked example 4 – Variance to budget

For each individual property, variance to budget is calculated by subtracting the year's budget from its total costs, then dividing the result by the budget. See below worked example for further explanation.

Variance to budget	Property A	Property B	Property C
Total service charge costs for the year	£25,000	£43,000	£43,000
Total service charge budget for the year	£22,000	£51,000	£45,000
Overspend/(under spend)	£3,000	(£8,000)	(£2,000)
Variance to budget	13.6%	(15.6%)	(4.4%)

Define key terms

Upper and lower quartile: The lower quartile is the value under which 25% of data points are found when they are arranged in increasing order. The upper quartile is the value under which 75% of data points are found when arranged in increasing order.

Appendix 2 – Three year review

ii Analysis by EPC rating

The dataset has been cut by the energy efficiency certificate (EPC) of each service charge to reflect the impact of this rating on costs.

Service charges data for offices without air conditioning has not been included in the three year trend analysis due to the relative sample size.

Where a zero appears in our table of median values this means that the average value per sq foot was too small to report when reported to two decimal places, or, there were no values found at all.

Offices dataset

Air conditioning	A	B	C	D	E to G	Total
Yes	6	60	102	93	38	299
No	0	2	15	11	11	39
Total	6	62	117	104	49	338

Shopping centres dataset

	A and B	C	D to G	Total
Total	5	17	6	28





Appendix 2 – Three year review

ii Office analysis by EPC rating

Median values analysed by EPC

Median cost value for each cost category and class across the three periods cut by EPC rating.

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.59	0.60	0.62	0.56	0.56	0.59	0.61	0.63	0.61
Accounting fees	0.04	0.04	0.05	0.04	0.05	0.05	0.05	0.05	0.06
Site-management resources	0.94	1.09	1.22	0.73	0.70	0.81	0.81	0.85	0.99
Professional fees	0.11	0.13	0.14	0.15	0.14	0.18	0.18	0.18	0.20
Management total	1.68	1.86	2.03	1.48	1.45	1.63	1.65	1.71	1.86
Utilities									
Electricity	0.86	0.67	0.99	0.59	0.61	0.87	0.67	0.59	1.05
Gas	0.19	0.15	0.25	0.22	0.17	0.33	0.30	0.30	0.35
Fuel oil	0.01	0.02	0.01	0.01	0.00	0.02	0.01	0.03	0.02
Water	0.11	0.06	0.11	0.12	0.09	0.10	0.17	0.09	0.13
Utility consultancy	0.06	0.10	0.08	0.06	0.07	0.09	0.05	0.09	0.09
Utilities total	1.23	1.00	1.44	1.00	0.94	1.41	1.20	1.10	1.64
Soft services									
Security	1.53	1.21	1.16	1.10	1.09	1.14	1.11	1.31	1.28
Cleaning and sustainability	0.96	1.00	1.17	0.87	0.95	1.04	1.10	1.03	1.11
Landscaping and environment	0.03	0.04	0.05	0.07	0.08	0.07	0.05	0.05	0.05
Marketing and promotions	0.00	0.01	0.02	0.01	0.01	0.02	0.01	0.02	0.04
Soft services total	2.52	2.26	2.40	2.05	2.13	2.27	2.27	2.41	2.48
Hard services									
Mechanical and electrical services (M&E)	1.66	1.78	2.03	1.58	1.61	1.68	1.73	1.92	1.85
Lifts and escalators	0.18	0.20	0.19	0.17	0.20	0.18	0.18	0.20	0.17
Suspended-access equipment	0.04	0.03	0.03	0.03	0.02	0.01	0.03	0.04	0.03
Fabric repairs and maintenance	0.29	0.34	0.41	0.45	0.38	0.47	0.49	0.48	0.43
Hard services total	2.17	2.35	2.66	2.23	2.21	2.34	2.43	2.64	2.48
Insurance									
Engineering insurance	0.03	0.03	0.04	0.02	0.03	0.02	0.03	0.03	0.03
All-risks insurance cover	0.01	0.01	0.02	0.01	0.02	0.01	0.02	0.01	0.02
Insurance total	0.04	0.04	0.06	0.03	0.05	0.03	0.05	0.04	0.05
Grand total	7.64	7.51	8.59	6.79	6.78	7.68	7.60	7.90	8.51



Appendix 2 – Three year review

ii Shopping centre analysis by EPC rating

Median values analysed by EPC

Median cost value for each cost category and class across the three periods cut by EPC rating.

EPC rating group category	A and B			C			D to G		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.26	0.28	0.27	0.35	0.31	0.32	0.45	0.45	0.46
Accounting fees	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Site-management resources	0.16	0.11	0.44	0.64	0.65	0.65	0.88	0.68	0.54
Professional fees	0.06	0.06	0.04	0.07	0.06	0.07	0.04	0.04	0.05
Management total	0.50	0.47	0.77	1.08	1.04	1.06	1.39	1.19	1.07
Utilities									
Electricity	0.41	0.18	0.19	0.23	0.23	0.27	0.26	0.37	0.31
Gas	0.01	0.01	0.01	0.05	0.03	0.05	0.03	0.03	0.04
Fuel oil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01
Water	0.08	0.02	0.04	0.04	0.04	0.03	0.04	0.06	0.02
Utility consultancy	0.02	0.02	0.03	0.01	0.01	0.01	0.01	0.01	0.00
Utilities total	0.52	0.23	0.27	0.33	0.31	0.36	0.34	0.48	0.38
Soft services									
Security	0.91	0.93	0.97	0.64	0.64	0.83	0.98	1.02	1.07
Cleaning and sustainability	0.85	0.97	0.95	0.89	0.88	1.09	1.35	1.53	1.49
Landscaping and environment	0.18	0.25	0.24	0.08	0.06	0.07	0.08	0.12	0.14
Marketing and promotions	0.27	0.38	0.29	0.10	0.13	0.12	0.05	0.05	0.05
Soft services total	2.21	2.53	2.45	1.71	1.71	2.11	2.46	2.72	2.75
Hard services									
Mechanical and electrical services (M&E)	0.22	0.46	0.42	0.29	0.33	0.32	0.28	0.34	0.37
Lifts and escalators	0.05	0.07	0.07	0.08	0.09	0.08	0.09	0.17	0.08
Suspended-access equipment	0.00	0.00	0.00	0.01	0.01	0.01	0.00	0.00	0.00
Fabric repairs and maintenance	0.20	0.23	0.27	0.17	0.20	0.21	0.23	0.14	0.16
Hard services total	0.47	0.76	0.76	0.55	0.63	0.62	0.60	0.65	0.61
Insurance									
Engineering insurance	0.04	0.08	0.10	0.01	0.01	0.01	0.00	0.00	0.00
All-risks insurance cover	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00
Insurance total	0.04	0.08	0.10	0.01	0.01	0.03	0.00	0.00	0.00
Grand total	3.74	4.07	4.35	3.68	3.70	4.18	4.79	5.04	4.81

Appendix 2 – Three year review

iii Analysis by size

Office dataset cut by size

Air conditioning	Small	Medium	Large	Total
Yes	158	65	76	299
No	32	5	2	39
Total	190	70	78	338

Office size classification

Size	Floor area (Sq. ft.)
Small	0 to 49,999
Medium	50,000 to 99,999
Large	100,000 and above

Service charges data for buildings without air conditioning has not been included in the three year trend analysis due to the relative sample size.

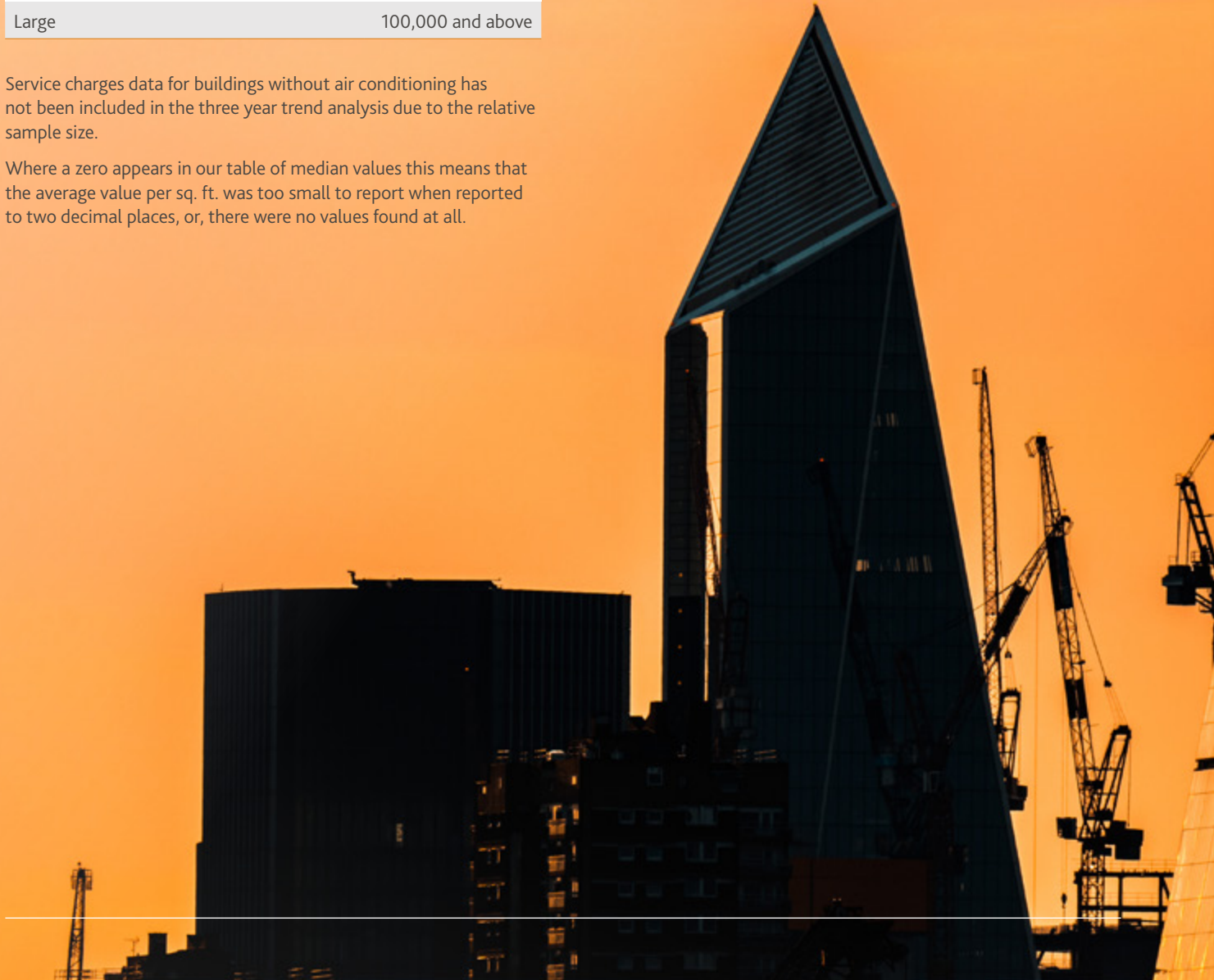
Where a zero appears in our table of median values this means that the average value per sq. ft. was too small to report when reported to two decimal places, or, there were no values found at all.

Shopping centre dataset cut by size

	Small	Medium	Large	Total
Total	9	8	11	28

Shopping centre size classification

Size	Floor area (Sq. ft.)
Small	40,000 to 99,999
Medium	100,000 to 249,999
Large	250,000 and above







Appendix 2 – Three year review

iii Office analysis by size

Median values analysed by size

Median cost value for each cost category and class across the three periods cut by building size.

Size of building	Small			Medium			Large		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.55	0.60	0.63	0.59	0.60	0.60	0.59	0.60	0.61
Accounting fees	0.01	0.01	0.02	0.04	0.04	0.04	0.07	0.07	0.07
Site-management resources	0.92	1.02	1.11	0.85	0.94	1.07	0.69	0.67	0.76
Professional fees	0.03	0.05	0.05	0.13	0.13	0.15	0.23	0.25	0.29
Management total	1.51	1.68	1.81	1.61	1.71	1.86	1.58	1.59	1.73
Utilities									
Electricity	0.47	0.42	0.72	1.00	1.04	1.49	0.63	0.60	0.89
Gas	0.18	0.16	0.19	0.23	0.32	0.35	0.27	0.20	0.36
Fuel oil	0.01	0.01	0.02	0.02	0.00	0.00	0.48	0.67	0.27
Water	0.05	0.06	0.06	0.03	0.07	0.06	0.08	0.11	0.12
Utility consultancy	0.10	0.07	0.11	0.11	0.08	0.12	0.14	0.10	0.10
Utilities total	0.81	0.72	1.10	1.39	1.51	2.02	1.60	1.68	1.74
Soft services									
Security	1.48	1.64	1.65	1.27	1.31	1.15	1.02	1.09	1.09
Cleaning and sustainability	0.78	0.90	1.06	0.99	0.94	1.03	1.11	1.05	1.16
Landscaping and environment	0.03	0.03	0.04	0.05	0.05	0.05	0.08	0.08	0.08
Marketing and promotions	0.00	0.01	0.02	0.04	0.02	0.02	0.02	0.02	0.05
Soft services total	2.29	2.58	2.77	2.35	2.32	2.25	2.23	2.24	2.38
Hard services									
Mechanical and electrical services (M&E)	1.64	1.90	1.91	1.62	1.61	1.75	1.69	1.83	1.84
Lifts and escalators	0.17	0.18	0.16	0.14	0.15	0.15	0.19	0.22	0.21
Suspended-access equipment	0.03	0.04	0.03	0.04	0.02	0.02	0.04	0.07	0.02
Fabric repairs and maintenance	0.24	0.26	0.30	0.35	0.36	0.41	0.62	0.72	0.62
Hard services total	2.08	2.38	2.40	2.15	2.14	2.33	2.54	2.84	2.69
Insurance									
Engineering insurance	0.03	0.03	0.03	0.02	0.02	0.03	0.03	0.04	0.03
All-risks insurance cover	0.02	0.01	0.01	0.02	0.01	0.01	0.01	0.02	0.02
Insurance total	0.05	0.04	0.04	0.04	0.03	0.04	0.04	0.06	0.05
Grand total	6.74	7.40	8.12	7.54	7.71	8.50	7.99	8.41	8.59



Appendix 2 – Three year review

iii Shopping centre analysis by size

Median values analysed by size

Median cost value for each cost category and class across the three periods cut by building size.

Size of building	Small			Medium			Large		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.36	0.38	0.40	0.29	0.29	0.30	0.34	0.34	0.34
Accounting fees	0.03	0.03	0.03	0.02	0.02	0.02	0.01	0.01	0.01
Site-management resources	0.66	0.44	0.64	0.50	0.52	0.58	0.79	0.68	0.67
Professional fees	0.10	0.11	0.10	0.07	0.06	0.08	0.03	0.04	0.03
Management total	1.15	0.96	1.17	0.88	0.89	0.98	1.17	1.07	1.05
Utilities									
Electricity	0.22	0.28	0.22	0.20	0.17	0.18	0.29	0.24	0.28
Gas	0.03	0.04	0.06	0.01	0.02	0.02	0.04	0.03	0.04
Fuel oil	0.00	0.00	0.00	0.00	0.01	0.02	0.00	0.00	0.00
Water	0.07	0.06	0.05	0.04	0.07	0.02	0.03	0.03	0.03
Utility consultancy	0.01	0.01	0.02	0.02	0.01	0.01	0.00	0.00	0.00
Utilities total	0.33	0.39	0.35	0.27	0.28	0.25	0.36	0.30	0.35
Soft services									
Security	0.54	0.59	0.31	0.76	0.84	0.90	0.96	1.03	1.10
Cleaning and sustainability	1.02	1.08	1.15	0.70	0.75	1.03	1.13	0.97	1.02
Landscaping and environment	0.09	0.12	0.14	0.08	0.08	0.09	0.09	0.07	0.07
Marketing and promotions	0.04	0.07	0.07	0.10	0.08	0.06	0.20	0.23	0.25
Soft services total	1.69	1.86	1.67	1.64	1.75	2.08	2.38	2.30	2.44
Hard services									
Mechanical and electrical services (M&E)	0.29	0.65	0.60	0.18	0.28	0.29	0.30	0.36	0.38
Lifts and escalators	0.09	0.17	0.08	0.06	0.06	0.05	0.10	0.14	0.09
Suspended-access equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01
Fabric repairs and maintenance	0.30	0.44	0.48	0.17	0.18	0.22	0.17	0.18	0.12
Hard services total	0.68	1.26	1.16	0.41	0.52	0.56	0.58	0.69	0.60
Insurance									
Engineering insurance	0.01	0.04	0.03	0.00	0.01	0.01	0.02	0.01	0.03
All-risks insurance cover	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Insurance total	0.01	0.04	0.03	0.00	0.01	0.01	0.02	0.01	0.05
Grand total	3.86	4.51	4.38	3.20	3.45	3.88	4.51	4.37	4.49

Appendix 3 – Analysis by region, size & EPC

i Data tables

The appendices include an analysis of median values cut by region, size and EPC rating to give a more granular view of the dataset. Where a data segment has less than five properties then no results have been reported to retain the integrity of the data. Where there is no value shown in a table means that none of the sample had a reported expenditure for the relevant cost category. No results for shopping centres have been reported at this level due to the size of the dataset.

Offices with air conditioning

Region Category	Small			Medium			Large			Total
	A and B	C	D to G	A and B	C	D to G	A and B	C	D to G	
Central London	13	28	48	10	13	13	15	14	17	171
Greater London	7	5	5	1	4	6	9	3	10	50
South	6	13	13	6	4	7	2	5	4	60
Rest of UK	10	18	16	5	10	6	3	6	8	82
Total	36	64	82	22	31	32	29	28	39	363

Offices without air conditioning

Region Category	Small			Medium			Large			Total
	A and B	C	D to G	A and B	C	D to G	A and B	C	D to G	
Central London		8	15							23
Greater London	1	1	3			1	2			8
South		3	3	1	1	1			1	10
Rest of UK				1	1	1		1		4
Total	1	12	21	2	2	3	2	1	1	45

Office Size	Floor area (Sq. ft.)
Small	0 to 49,999
Medium	50,000 to 99,999
Large	100,000 and above

Appendix 3 – Analysis by region, size & EPC

ii Central London – offices with air conditioning

Median value for each data segment

EPC Rating Group Category	Small			Medium			Large		
	A and B	C	D to G	A and B	C	D to G	A and B	C	D to G
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.78	0.83	0.69	0.86	0.80	0.77	0.78	0.74	0.76
Accounting fees	0.09	0.14	0.10	0.04	0.05	0.05	0.03	0.01	0.02
Site-management resources	1.57	1.33	1.22	1.45	0.95	1.23	1.52	1.33	1.20
Professional fees	0.38	0.37	0.33	0.17	0.15	0.16	0.09	0.03	0.09
Management total	2.82	2.67	2.34	2.52	1.95	2.21	2.42	2.11	2.07
Utilities									
Electricity	1.26	0.82	0.97	1.21	2.40	2.12	1.60	0.64	1.47
Gas	0.60	0.51	0.39	0.27	0.34	0.61	0.09	0.18	0.35
Fuel oil	0.00	0.27	0.00	0.00	0.00	0.00	0.01	0.02	0.02
Water	0.07	0.07	0.17	0.09	0.16	0.06	0.16	0.11	0.14
Utility consultancy	0.14	0.21	0.18	0.11	0.12	0.15	0.07	0.05	0.08
Utilities total	2.07	1.88	1.71	1.68	3.02	2.94	1.93	1.00	2.06
Soft services									
Security	1.14	2.62	1.69	2.77	2.18	2.94	3.01	2.09	2.19
Cleaning and sustainability	1.45	1.59	1.57	1.65	1.18	0.91	1.26	1.09	1.09
Landscaping and environment	0.05	0.12	0.03	0.04	0.05	0.08	0.05	0.04	0.04
Marketing and promotions	0.10	0.00	0.00	0.01	0.01	0.01	0.02	0.02	0.01
Soft services total	2.74	4.33	3.29	4.47	3.42	3.94	4.34	3.24	3.33
Hard services									
Mechanical and electrical services (M&E)	3.00	3.11	2.88	2.86	2.37	2.46	2.70	1.95	2.23
Lifts and escalators	0.25	0.36	0.24	0.29	0.20	0.18	0.24	0.15	0.22
Suspended-access equipment	(0.05)	0.02	0.04	0.06	0.07	0.02	0.05	0.00	0.05
Fabric repairs and maintenance	0.73	1.54	1.07	0.44	0.26	0.71	0.37	0.35	0.33
Hard services total	3.93	5.03	4.23	3.65	2.90	3.37	3.36	2.45	2.83
Insurance									
Engineering insurance	0.04	0.05	0.04	0.03	0.08	0.04	0.04	0.02	0.01
All-risks insurance cover	0.04	0.08	0.03	0.01	0.01	0.01	0.03	0.01	(0.02)
Insurance total	0.08	0.13	0.07	0.04	0.09	0.05	0.07	0.03	(0.01)
Grand total	11.64	14.04	11.64	12.36	11.38	12.51	12.12	8.83	10.28

Appendix 3 – Analysis by region, size & EPC

iii Central London – offices without air conditioning

Median value for each data segment

See methodology for calculation methods.

EPC Rating Group Category	Small	
	C	D to G
	£/sq. ft.	
Management		
Management fees	0.80	0.85
Accounting fees	0.11	0.23
Site-management resources	0.59	1.62
Professional fees	0.66	0.59
Management total	2.16	3.29
Utilities		
Electricity	0.19	0.60
Gas	0.11	0.46
Water	0.19	0.15
Utility consultancy	0.14	0.46
Utilities total	0.63	1.67
Soft services		
Security	0.15	2.39
Cleaning and sustainability	1.95	1.98
Landscaping and environment	0.18	0.11
Soft services total	2.28	4.48
Hard services		
Mechanical and electrical services (M&E)	2.27	4.35
Lifts and escalators	0.24	0.46
Fabric repairs and maintenance	1.33	3.56
Hard services total	3.84	8.37
Insurance		
Engineering insurance	0.14	0.05
Insurance total	0.14	0.05
Grand total	9.05	17.86

Appendix 3 – Analysis by region, size & EPC

iv Greater London – offices with air conditioning

Median value for each data segment

See methodology for calculation methods.

EPC Rating Group Category	Small			Medium	Large	
	A and B	C	D to G	D to G	A and B	D to G
	£/sq. ft.			£/sq. ft.	£/sq. ft.	
Management						
Management fees	0.58	0.64	0.77	0.50	0.58	0.47
Accounting fees	0.07	0.06	0.07	0.03	0.01	0.01
Site-management resources	0.69	0.49	0.60	2.64	1.11	1.76
Professional fees	0.34	0.24	0.28	0.03	0.01	0.03
Management total	1.68	1.43	1.72	3.20	1.71	2.27
Utilities						
Electricity	0.64	0.52	0.96	0.14	0.82	0.51
Gas	0.49	0.36	0.23	0.31	0.18	0.39
Fuel oil	0.00	0.00	0.00	0.00	0.02	0.01
Water	0.00	0.07	0.05	0.37	0.06	0.21
Utility consultancy	0.07	0.09	0.12	0.03	0.08	0.05
Utilities total	1.20	1.04	1.36	0.85	1.16	1.17
Soft services						
Security	0.62	0.26	1.53	0.80	0.90	1.56
Cleaning and sustainability	1.14	0.41	0.97	0.92	1.06	1.29
Landscaping and environment	0.09	0.01	0.25	0.03	0.02	0.02
Marketing and promotions	0.02	0.00	0.00	0.00	0.07	0.00
Soft services total	1.87	0.68	2.75	1.75	2.05	2.87
Hard services						
Mechanical and electrical services (M&E)	1.70	1.17	1.75	1.57	2.35	1.53
Lifts and escalators	0.19	0.11	0.20	0.16	0.16	0.12
Suspended-access equipment	0.00	0.00	0.00	0.00	0.02	0.01
Fabric repairs and maintenance	0.35	0.25	0.25	0.26	0.32	0.22
Hard services total	2.24	1.53	2.20	1.99	2.85	1.88
Insurance						
Engineering insurance	0.05	0.00	0.04	0.03	0.05	0.03
All-risks insurance cover	0.02	0.00	0.41	0.00	0.02	0.00
Insurance total	0.07	0.00	0.45	0.03	0.07	0.03
Grand total	7.06	4.68	8.48	7.82	7.84	8.22

Appendix 3 – Analysis by region, size & EPC

v South – offices with air conditioning

Median value for each data segment

See methodology for calculation methods.

EPC Rating Group Category	Small			Medium		Large
	A and B	C	D to G	A and B	D to G	C
	£/sq. ft.			£/sq. ft.		£/sq. ft.
Management						
Management fees	0.61	0.50	0.59	0.64	0.58	0.26
Accounting fees	0.07	0.05	0.06	0.04	0.05	0.01
Site-management resources	0.77	0.40	0.65	1.33	0.38	0.44
Professional fees	0.26	0.24	0.33	0.09	0.12	0.09
Management total	1.71	1.19	1.63	2.10	1.13	0.80
Utilities						
Electricity	0.62	0.63	1.19	1.25	2.19	0.44
Gas	0.15	0.13	0.26	0.35	0.64	0.16
Fuel oil	0.00	0.00	0.00	0.00	0.00	0.03
Water	0.12	0.11	0.11	0.12	0.12	0.06
Utility consultancy	0.08	0.04	0.12	0.04	0.07	0.02
Utilities total	0.97	0.91	1.68	1.76	3.02	0.71
Soft services						
Security	0.93	0.74	1.09	0.53	0.80	0.44
Cleaning and sustainability	1.40	0.82	1.15	1.01	1.05	0.58
Landscaping and environment	0.05	0.23	0.20	0.35	0.15	0.29
Marketing and promotions	0.00	0.02	0.05	0.26	0.03	0.03
Soft services total	2.38	1.81	2.49	2.15	2.03	1.34
Hard services						
Mechanical and electrical services (M&E)	1.67	1.81	1.30	1.28	1.82	0.75
Lifts and escalators	0.13	0.13	0.17	0.10	0.13	0.03
Fabric repairs and maintenance	0.39	0.37	0.30	0.27	0.30	0.22
Hard services total	2.19	2.31	1.77	1.65	2.25	1.00
Insurance						
Engineering insurance	0.03	0.01	0.03	0.04	0.01	0.01
All-risks insurance cover	0.02	0.02	0.01	0.00	0.02	0.00
Insurance total	0.05	0.03	0.04	0.04	0.03	0.01
Grand total	7.30	6.25	7.61	7.70	8.46	3.86

Appendix 3 – Analysis by region, size & EPC

vi Rest of the UK – offices with air conditioning

Median value for each data segment

See methodology for calculation methods.

EPC Rating Group Category	Small			Medium			Large	
	A and B	C	D to G	A and B	C	D to G	C	D to G
	£/sq. ft.			£/sq. ft.				
Management								
Management fees	0.53	0.45	0.46	0.39	0.45	0.53	0.35	0.41
Accounting fees	0.06	0.06	0.07	0.04	0.04	0.04	0.02	0.02
Site-management resources	0.41	0.45	0.46	0.55	0.40	0.48	0.62	0.57
Professional fees	0.21	0.28	0.30	0.20	0.12	0.13	0.10	0.09
Management total	1.21	1.24	1.29	1.18	1.01	1.18	1.09	1.09
Utilities								
Electricity	1.21	0.89	1.06	1.71	1.20	1.13	0.61	0.14
Gas	0.38	0.64	0.30	0.11	0.29	0.45	0.10	0.73
Fuel oil	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00
Water	0.13	0.07	0.10	0.03	0.13	0.03	0.05	0.11
Utility consultancy	0.05	0.09	0.10	0.01	0.04	0.01	0.03	0.01
Utilities total	1.77	1.69	1.56	1.86	1.66	1.62	0.81	0.99
Soft services								
Security	0.90	0.29	0.08	1.21	0.99	0.84	0.90	1.01
Cleaning and sustainability	0.97	0.80	0.93	0.97	0.81	0.73	0.62	0.80
Landscaping and environment	0.05	0.11	0.08	0.06	0.03	0.05	0.08	0.04
Marketing and promotions	0.00	0.19	0.05	0.00	0.02	0.05	0.03	0.10
Soft services total	1.92	1.39	1.14	2.24	1.85	1.67	1.63	1.95
Hard services								
Mechanical and electrical services (M&E)	1.27	1.28	1.10	1.31	1.26	1.37	1.04	0.82
Lifts and escalators	0.17	0.15	0.15	0.11	0.09	0.19	0.20	0.12
Suspended-access equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06
Fabric repairs and maintenance	0.73	0.45	0.44	0.41	0.46	0.30	0.14	0.26
Hard services total	2.17	1.88	1.69	1.83	1.81	1.86	1.38	1.26
Insurance								
Engineering insurance	0.04	0.02	0.03	0.02	0.02	0.04	0.00	0.02
All-risks insurance cover	0.01	0.02	0.00	0.00	0.01	0.03	0.00	0.00
Insurance total	0.05	0.04	0.03	0.02	0.03	0.07	0.00	0.02
Grand total	7.12	6.24	5.71	7.13	6.36	6.40	4.91	5.31

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