IDEAS | PEOPLE | TRUST

An analysis of service charge data

BDO PropCost 2025

Offices

Industrial parks

Retail parks

Shopping centres

September 2025

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Truly independent service charge benchmarking

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Since our last PropCost publication in February 2024, the UK commercial real estate sector has continued to operate in a challenging environment. The economy has experienced a period of slow growth, coupled with fluctuating consumer confidence. While the reduction in inflation to its lowest level since late 2022 provides some relief for managing service charge costs, pressures on the labour market has meant that services inflation outpaced consumer inflation in 2024 running at around 5%.

Our largest data set yet

The purpose of PropCost is to support decision makers in the real estate business to review both past costs and inform forecasts of future spending. Now in its third release, we have surpassed the milestone of well over 1,000 properties within the data set across four sectors of offices, industrial parks, retail parks and shopping centres which represents over half a billion pounds worth of service charge expenditure.

All expenditure data included in this analysis is sourced from our eMOS (Electronic Management of Service Charges) platform, which underpins our assurance work. By gathering data in this manner, we benefit from consistently classified expenditure that becomes available immediately upon the completion of our review.

The periods covered by this report are accounting periods falling within the calendar years of 2022, 2023, and 2024. This means that our one-year data set, which is the largest analysis carried out, comprises accounts with year-end dates running up to 31 December 2024 as the latest. It is important to note that, due to 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 last report.

Best practice cost classification

We have a long-standing relationship of working closely with RICS (Royal Institute of Chartered Surveyors), collaborating over a number of years on the RICS Professional Standard for Service Charges in Commercial Property. We have had a representative on the working party for the second edition the Professional Standard which was released in June this year, and we welcome the continued improvement to transparency that the changes in this standard will bring.

All expenditure submitted as part of the eMOS data set has been reviewed for consistency against the RICS industry best practice cost classifications. This approach allows for straightforward comparison across a diverse range of sites.

Rising costs

In this year's report, we have identified the impact of rising costs across each sector under review. In most cases, total average costs have grown at a faster rate than inflation over the same period. However, the specific cost categories driving these increments differ according to asset type.

When comparing the overall rise in costs with changes to the minimum wage – which have been relatively higher during a similar timeframe – it appears that wage levels play a significant role in shaping overall cost trends. Furthermore, regional wage differentials are likely to be a major factor in explaining the marked discrepancies in costs for London-based offices, industrial parks, and shopping centres, where expenses may be up to 80% higher.

Collaborating for greater insight

We have only been able to achieve the significant growth in our data set and analysis through the support of our eight contributors. 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

9%
increase in total service charge costs in 2024 compared to 2023.

67%
higher service charge costs in central London compared to rest of the UK.

44%
of properties had an EPC rating of A or B, compared with 23% in our previous report.

11%
higher cleaning costs in 2024 compared to 2023.

Industrial parks

105%
higher service charge costs in small properties compared to large assets.

26%
higher service charge costs in London compared to rest of the UK.

11%
lower security costs in 2024 than 2023.

41%
of service charges came in over budget.

Retail parks

14%
higher service charge costs in 2024 compared to 2023.

35%
higher service charge costs in small properties when compared to large assets.

66%
of service charges came in under budget.

66%
of properties had an EPC rating of A or B.

Shopping centres

11%
higher service charge costs in 2024 compared to 2023.

30%
higher service charge costs for enclosed properties compared to open assets.

46%
of service charge costs were made up by cleaning and security.

41%
increase in electricity costs in 2024 compared to 2023.

Executive summary

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

Offices

Our previous PropCost reports have tracked the impact on office service charge costs through the Covid-19 pandemic. This period saw a significant shift in working habits and office use.

The findings in our report, covering accounting periods from 2022 to 2024, identified an increase in total costs as office workers began to return to their workplaces. We identified an increase in total costs of 15% from 2022 to 2023, and a further increase of 9% by 2024. There are other inflationary factors which will have contributed to these increases, but these increases will reflect a degree of catching up on maintenance costs delayed during the pandemic, as well as investment to attract staff to the office.

Retail

Our analysis includes a review of both shopping centres and retail parks, each with very different cost profiles for a typical service charge. Since the challenges brought by reduced footfall in the pandemic, shopping centres have had to work hard to bring in customers, whilst retail parks have been experiencing a growing popularity.

We identified a significant increase of 26% in total average service charge costs for shopping centres across the three-year period, with a 24% increase identified for retail parks. This appears to be a catch-up to some degree when we compare to last year's report which saw a modest cost increase for shopping centres when compared to inflation.

Economic pressures

The UK has experienced significant inflationary pressures in recent years with peak inflation of 11% seen in October 2022. The trends we have identified show that since our 2022 data set, across all sectors except for industrial parks, costs have increased at a greater rate than inflation.

When we compare costs such as cleaning to increases in the minimum wage during this period, particularly in offices, it appears that this has been a strong contributing factor to a 20% increase in cleaning costs for offices over the three-year period.

RICS Professional Standard

All service charge reviews carried out by BDO are in accordance with the RICS Professional Standard for Service Charges in Commercial Property. This means that the expenditure within our database is consistently classified in line with the RICS cost taxonomy.

The purpose of the RICS Professional Standard is to promote greater transparency in the reporting and management of service charge costs. The new Professional Standard was released in June 2025 with an effective date from 1 January 2026. This includes updates which will further improve the integrity of our analysis as a result of consistent disclosure.

Location and size

When looking at the reasons for variations in costs across each of the sectors, in most cases, we have identified the greatest correlation when looking at the size of the asset or site, and its location. In the case of size, economies of scale appear to exist for most of the cost classes we analyse. This is most pronounced in industrial parks where average costs for the smallest sites were almost double of the 'large' sites.

In the case of location, costs for London based assets were considerably higher, with service charge costs for central London assets almost 90% higher than those for the rest of the UK.

Efficiency and sustainability

In order to consider the efficiency and sustainability credentials of assets in our data set, we have reviewed the Energy Performance Certificate (EPC) rating across all asset types and included a data set of around 90 offices with BREEAM certifications.

With the introduction on the Minimum Energy Efficiency Standards (MEES) in 2023, there is an increasing risk of stranded assets due to this legislation and therefore we expect to see those buildings within the higher EPC categories increase. 25% of our office data set is rated A, with 'A' properties tending to have a higher spend on utilities and soft services reflective of the prime spaces that tend to offer greater levels of amenities.

UK Real Estate Market 2025: Sector spotlight

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

It has been a mixed year so far for UK real estate, shaped by ongoing geopolitical uncertainty, economic adjustment, evolving regulation, and shifting investor sentiment. The change in government last year, with the Labour Party taking office, has resulted in a change in policy direction, particularly around planning, housing, and sustainability, which will increase the level of economic activity for certain sectors in real estate. High interest rates and lingering inflation have dampened activity in some parts of the market, but the picture is not entirely uniform. Confidence is gradually returning, although activity levels and performance remain mixed across asset types and regions. Below, we explore how offices, industrial estates, retail parks, and shopping centres are responding to these ongoing changes.

Offices

Office markets are in ongoing transition, shaped by ESG pressures, and continued occupier demand for best-in-class space. Prime, energy-efficient offices in core locations continue to outperform, with strong take-up, evidenced by seven of the top ten deals in Q1 involving new or recently marketed space. In contrast, secondary assets face rising vacancy and downward rental pressure, especially those requiring significant retrofit. The regional office market shows resilience in key cities like Manchester and Birmingham, though overall investment volumes remain subdued compared to the capital.

Industrial estates

After years of explosive growth, the industrial sector is showing signs of stabilisation. Take-up remains healthy, with rising volumes in 2025. This year, demand has been driven by the motor industry, third-party logistics providers, and e-commerce. However, rental growth is beginning to moderate, particularly in areas with an oversupply of space. Investors have become more selective, prioritising well-located urban logistics assets that offer strong ESG credentials and long-term income security. Development pipelines have slowed slightly due to cost inflation and planning constraints, but demand for modern, energy-efficient warehouses close to urban centres remains robust.

Retail parks

Retail parks have proven resilient, experiencing continued positive market conditions in 2025, with growing leasing activity and investor demand. Investment volumes in this year's first quarter have exceeded those recorded in Q1 2023 and Q1 2024, with a combination of low vacancy rates and strong tenant demand driving upward rental pressure in select retail park locations. Asset management strategies are focused on tenant mix, lease re-gears, and selective capex to enhance ESG performance. However, older schemes in weaker locations face greater re-letting risk and capex pressure.

Shopping centres

Shopping centres have seen growing investment volumes in recent years, although this has been marked by strong polarisation, with flagship destinations performing best in terms of total sales and occupier demand. Demand is being driven by the arrival of new brands and significant expansion by major retailers, contributing to a reduction in vacancy rates, even though footfall remains below pre-Covid levels. Investors remain cautious, with most activity focused on distressed or value-add opportunities. Redevelopment into mixed use schemes that include residential, leisure and community facilities is gaining traction, particularly in town centres where local authorities are encouraging regeneration. The most successful schemes are those that have expanded their offer beyond retail to remain relevant in a changing landscape.

BDO's award-winning Real Estate and Construction Group is one of the UK's largest specialist property advisory teams. With over 350 technical specialists, we offer a wide range of services including Audit and Accounting, Service Charge Accounting, Tax, Corporate Finance, Capital Allowances Review, Financial Modelling, Valuations, Outsourced Accounting, ESG Consultancy, Debt Advisory and Forensic Review.

Our clients and audited entities include, at one end of the spectrum, highly entrepreneurial firms pioneering innovative real estate solutions and, at the other end of the spectrum, some of the largest and most sophisticated investors globally. BDO's strong market presence is built on a foundation of deep industry knowledge, unwavering client focus, and a proactive, forward-thinking approach. Our clients consistently describe us as 'efficient, thorough, and pragmatic', 'working in partnership to understand, assist and develop customers' businesses with the provision of the relevant products and teams.'

We advise 60% all MAIN UK Listed REITS and are No. 1 Auditor to Real Estate UK Listed Companies

#1 Auditor to UK-Listed Companies

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

Developed in association with RICS

Paul Bagust
RICS
Principal Head of
Professional Practice

In June this year, RICS launched the latest edition of the Commercial Property Service Charge Code. I was greatly encouraged by the response to this work and also the outstanding contribution of the expert working group that led this new edition. The commitment to fairness and transparency from all sides of the property, legal and accounting professions was a real testament to the progress that had been made over the years.

At the Royal Institution of Chartered Surveyors, we believe that transparency and trust are the foundations of a well-functioning property sector. Service charges – often one of the largest ongoing costs for occupiers – should be clear, fair, and based on robust evidence.

The BDO Service Charge Cost Benchmarking Report brings together real market data and expert insight to show how service charge costs vary across different property types, regions, and sectors. It offers a practical reference point for landlords, occupiers, and managing agents who want to understand the numbers, spot trends, and work towards greater efficiency.

By setting service charge performance against independent benchmarks, this report supports better decision-making, strengthens relationships between stakeholders, and helps ensure that the principles in the RICS Professional Statement, Service charges in commercial property are applied in practice.

Our aim is simple, to make service charges more transparent, more consistent, and easier to manage for everyone involved.

RICS®

ESG dynamics

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Partner, BDO LLP,
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Reporting Advisory

As the UK real estate sector navigates a period of economic recovery and structural transformation, Environmental, Social, and Governance (ESG) considerations remain significant to investment, development, and operational strategies.[1] In 2025, ESG is no longer a peripheral concern, it is a defining factor in asset resilience, regulatory compliance, and long-term value creation.

The built environment contributes approximately 25% of the UK's annual carbon emissions, and with 80% of today's buildings expected to remain in use by 2050,[2] the imperative to retrofit and decarbonise existing assets is clear. Regulatory momentum is driving a significant shift in energy standards for UK real estate, with the UK Government expected to announce its decision later this year on the proposed changes to the Minimum Energy Efficiency Standards (MEES) for non-domestic buildings. Latest proposals suggest raising the minimum Energy Performance Certificate (EPC) rating requirement from Band E to Band B, with a compliance deadline likely to fall between 2030 and 2035.[3]

Beyond an increasingly committed regulatory environment, investor sentiment appears to convey increased interest in ESG strategies. ESG-aligned assets are increasingly seen as a hedge against volatility,[4] offering robust rental growth potential and lower vacancy risk.[5] In the office sector, sustainably certified, high-quality spaces are already in short supply across major central business districts. As a greater number of businesses return to the office, this supply-demand imbalance is expected to intensify.[6]

Aside from environmental sustainability, the social dimension of ESG is gaining momentum with increasing prominence given in the sector to employee wellbeing, diversity, community impact in workplace design, and governance practices.[7] These trends are reshaping occupier expectations, with tenants seeking commercial real estate that promotes connection, collaboration and wellbeing.[8,9]

Sector-wide shifts are thus increasing demands on property managers, who play a pivotal role in translating sustainability goals into operational outcomes. Their responsibilities now extend beyond identifying energy efficiency upgrades to include ongoing performance monitoring, supporting net-zero transition strategies, and enhancing ESG reporting.[10] Effective management contributes to more robust and verifiable data collection, strengthens stakeholder engagement, and improves tenant appeal, ultimately ensuring sustainability remains a core consideration to driving long-term asset value.[11]

1 UK Real Estate Market Outlook 2025 | CBRE UK
2 Climate Change Mitigation | UKGBC
3 What can we expect from the upcoming changes to Minimum Energy Efficiency Standards? | CBRE UK
4 Dynamic Connectedness and Hedging Effectiveness Between Green Bonds, ESG Indices, and Traditional Assets - Arouri - European Financial Management - Wiley Online Library
5 The future of real estate: ESG and technology at the forefront | Gerald Edelman
6 UK real estate market commentary - July 2025 - Schroders Capital
7 The ESG outlook: Sector-specific property trends for 2025
8 Building Communities: The Role of Social Spaces in Modern Commercial Real Estate | Layer 10
9 Impacts-2025-TENANCY.pdf
10 ESG to fruition: The role of the property manager in carrying out owners' ESG goals - GRESB
11 Savills Blog | The crucial role of property management in building operations

Approach and dataset – All sectors

Approach and data set – All sectors

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). Each data record BDO holds is linked to a set of service charge accounts. Typically, a service charge account corresponds to a single building. However, it can sometimes relate to a section of a building or a group of buildings within an estate, depending on the structure of the service charge.

Confidentiality

No results have been reported where the number of properties in the relevant sample is below 5. This is in order to protect the data from being traceable should it have unique characteristics.

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.

All sectors	
Comparative data	603
All data	1120

Total service charge reviewed

£601m

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 Certificate (EPC) is an assessment of efficiency and therefore relevant when considering the energy usage of a building. The limitations when considering service charges is the certification may not be up to date, and it may not be representative of the common areas of the building. However, the EPC will tend to be a good indicator for the overall level of modernisation of an asset.

Size

Buildings have been categorised by size based on the floor area set out in the service charge budget (see definitions provided in each section). 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 of development, aligned to those areas with wage differentials. Our separate methodology report outlines the postcodes which have been allocated to each region.

Sustainability

There are a range of sustainability certification systems available. We have identified a sample of our office data set with BREEAM certifications as an example of a holistic approach to an office's initial environmental impact, although we acknowledge that these do not measure the sustainable impact of an office 'in use'.

All sectors	
Comparative data	603
All data	1120

Approach and data set – All sectors

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 data set where we have the latest year of expenditure, allowing us to do analysis on a slightly larger data set.

Full details of our approach and data set are set out in our 'PropCost Methodology' report which can be downloaded from https://www.bdo.co.uk/en-gb/insights/business-services-and-outsourcing/propcost-service-charge-benchmarking.

Offices

Comparative data: 269

All data: 452

Industrial parks

Comparative data: 166

All data: 384

Retail parks

Comparative data: 125

All data: 214

Shopping centres

Comparative data: 43

All data: 70

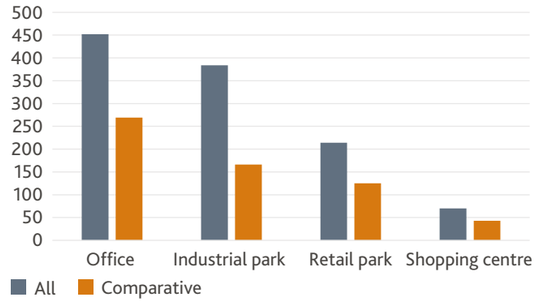
Use of the median value

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.

Data set

Our data is taken from eight contributors totalling 1,120 service charges with an accounting year-end date falling within the 2024 calendar year. From this data we have identified 603 service charge properties with three years' worth of comparative data, with accounting year-ends which fall into 2022, 2023 and 2024. The data sets for each sector type are summarised below.

Sector data sets



Offices

Approach and dataset – Offices

Number of offices	
Comparative data	269
All data	452

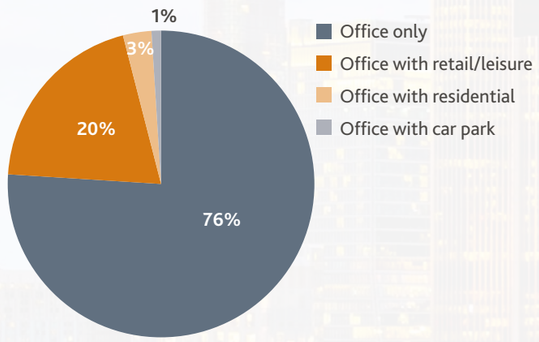
The offices data set is taken from our contributors' data held on eMOS where the majority of the asset use type is office space. The mix of offices making up our data set this year has changed due to changes in the submissions from existing contributors. Therefore previous years' results are restated to allow a meaningful trend analysis, but will not match to previous reports.

Total service charge reviewed

£411m

Property use

Number of properties by property use (all data).

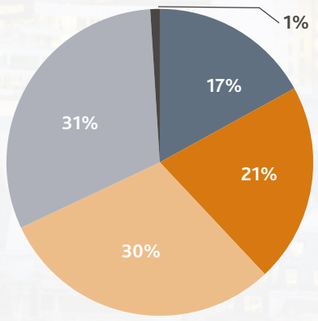


This legend applies to both charts below.

Management | Utilities | Soft services | Hard services | Insurance | Total

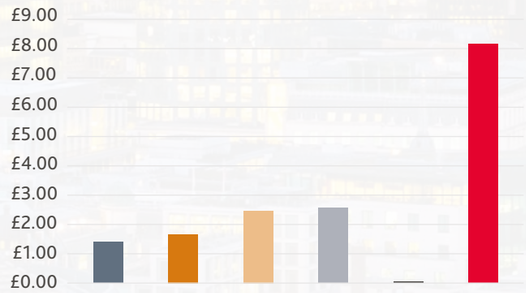
Total average service charge split

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



Total average service charge split

Total costs based on median data (excluding exceptional and miscellaneous costs)



Efficiency analysis

Number of offices	
Comparative data	269
All data	452

EPC and MEES

An Energy Performance Certificate (EPC) assesses the efficiency of a property along a banded scale from A, representing the most efficient, to G, representing the least efficient. An EPC can provide valuable insight into the energy performance and environmental impact of a building, whilst highlighting potential areas for energy cost savings. It can prove to be a useful tool for multiple stakeholders including owners, tenants and potential buyers.

The Minimum Energy Efficiency Standards (MEES) regulations form part of the Government's strategy to reduce carbon emissions and improve energy efficiency in buildings. As of 1 April 2023, the regulation dictates that landlords cannot let, or continue to let, non-domestic properties in England and Wales with an EPC rating below E, unless a valid exemption has been registered. Failure to comply may result in loss of rental income, fines, and reputational damage.

The Government is however, expected to announce its decision on potential changes to the MEES regulations for non-domestic property later this year. Previous policy proposals advocated for elevating the minimum energy efficiency requirement to an EPC rating of B by 2030. Under these proposals, properties falling below this standard would no longer be eligible for lease. However, current discussion suggests that this deadline may be extended to beyond 2030, but prior to 2035.

As a result, stricter energy efficiency standards are anticipated. The Climate Change Committee's Seventh Carbon Budget highlighted that non-residential buildings currently account for 5% of the UK's total emissions. An 87% reduction in commercial and public real estate emissions is required by 2040, to support the UK's 2050 net-zero goal. Defined legislation around EPCs, combined with energy efficiency initiatives and the integration of renewable energy, will therefore play a pivotal role in this transition.

Number of offices	
All data	452

Efficiency analysis

Considerations

Energy efficiency considerations for offices can be broken down into the following areas:

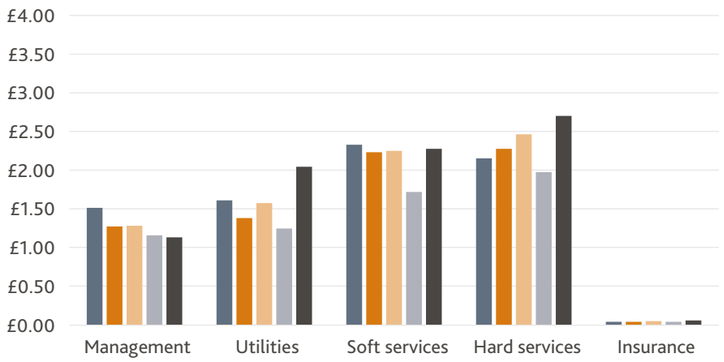
- Regulatory compliance and the risk of stranded assets. With increasingly stringent energy efficiency regulations expected, there is a growing risk that non-compliant buildings may become stranded assets. Proactively implementing energy efficiency measures ensures legal compliance and the future proofing of assets
- Enhancing energy efficiency through targeted retrofitting measures. This can significantly reduce operational costs and lower the environmental footprint of office buildings. Priority actions include conducting energy audits to identify areas of inefficiency, upgrading lighting systems to more efficient alternatives, and optimising heating, ventilation, and air conditioning (HVAC) performance. Additionally, the integration of smart building technologies, such as Building Management Systems (BMS), enables the real-time monitoring and control of energy consumption, allowing for adjustments based on occupancy patterns and operational needs
- Tenant preferences and expectation. There is a clear shift in tenant demand toward premium, sustainable, and energy-efficient office assets. Key advantages include operational cost savings through improved energy performance, and enhanced employee wellbeing and productivity supported by biophilic design. In addition, there is the motivation of tenants to reduce their carbon footprint, influenced by increasing regulatory requirements and reputational considerations.

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

EPC rating: A B C D E to G

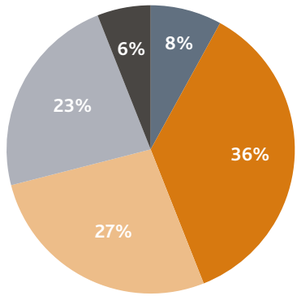
Cost class analysed by EPC rating

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



Analysis of properties by EPC rating

Percentage of properties by EPC rating.



Total costs analysed by EPC rating

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

Number of offices	
All data	452

Efficiency analysis

Observations

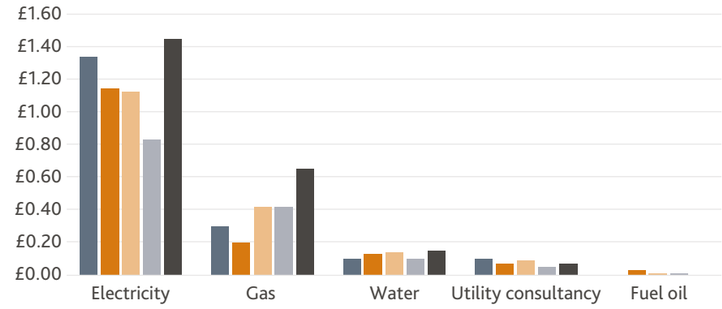
- Whilst gas and water costs show a correlation with the EPC certificate where costs are lowest for the most efficient offices, electricity results follow a different pattern with the lowest median costs reported for rating 'D'
- Soft services reflects a similar trend, with both security and cleaning reporting the lowest median cost per sq. ft. for D rated offices.

Trend analysis

- Higher costs in the most efficient buildings may be reflective of a more modern design, larger common areas and higher specifications throughout
- The less efficient buildings tend to also be smaller, and therefore the relative 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.

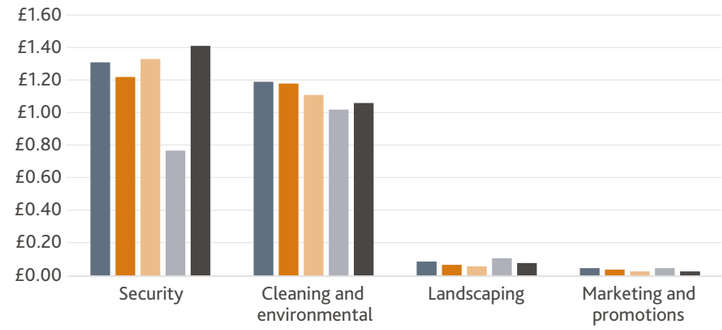
Utility cost categories analysed by EPC rating

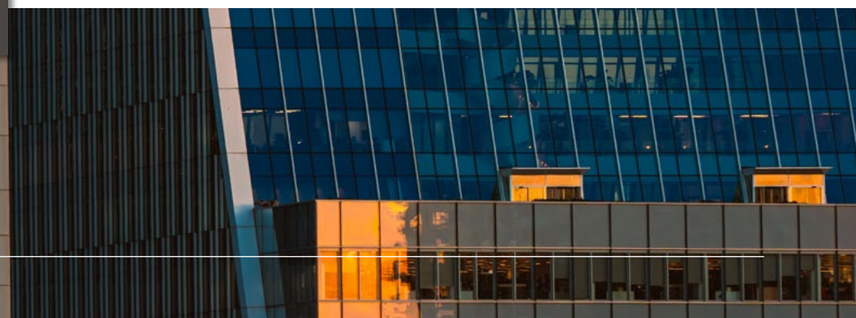
Median fee per sq. ft. analysed by utility type and EPC rating.



Soft services cost categories analysed by EPC rating

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





Number of offices	
All data	452

Size analysis

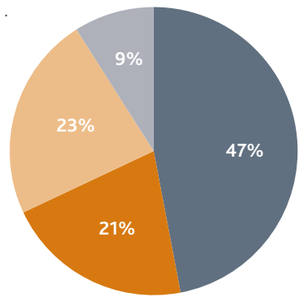
We have analysed our dataset based on total floor area of the service charge building or development. The population has been split into four size categories – small, medium, large and extra large – with the greatest volume of our dataset falling into the small category.

The legend below applies to all graphs on this page.

Small Medium Large Extra large

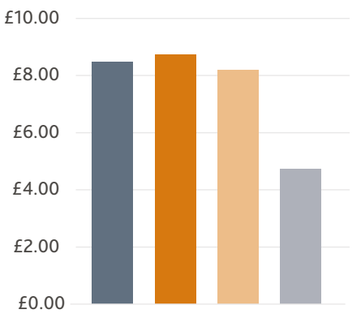
Analysis of properties by size

Percentage of properties by size.



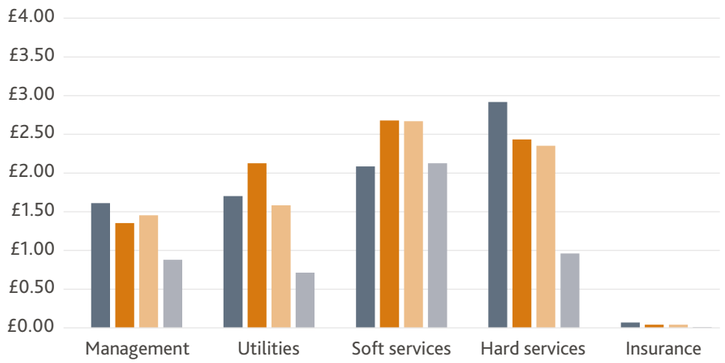
Total costs analysed by size

Median cost per sq. ft. analysed by size.



Cost class analysed by size

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



Observations

- Nearly half of offices fall into the 'small' category, for which total average costs differ very little from the 'medium' and 'large' categories
- Total average costs for offices in the 'extra large' category are significantly lower, which is also reflected at cost class level, with the exception of soft services.

Trend analysis

- The trend for lower costs for the largest 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
- It is possible that the same economies are not found in the soft services class for extra large buildings where the level of cleaning required is more proportionate to the common areas.

Size	Floor area (sq. ft.)
Small	0 – 49,999
Medium	50,000 – 99,999
Large	100,000 – 299,999
Extra Large	300,000 and above

Number of offices	
All data	452

Regional analysis

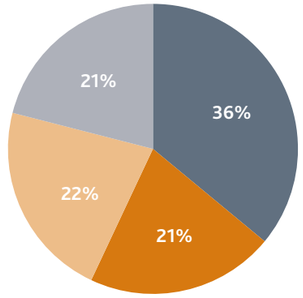
Properties have been mapped to regions as set out in our methodology report. This has been driven by relative sample sizes and an expectation of higher costs to be found in the south and London regions.

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.

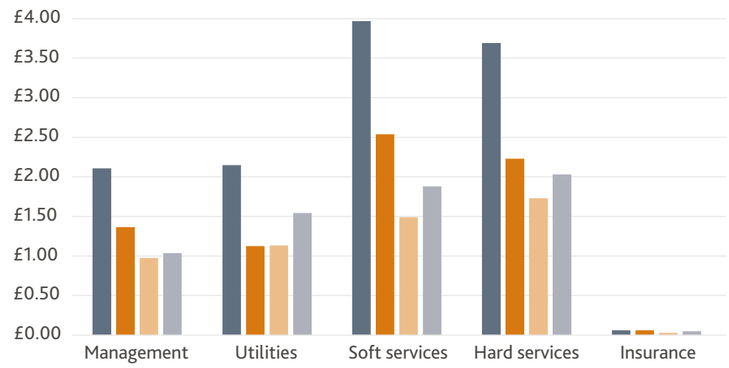


Total costs analysed by region

Median cost per sq. ft. analysed by region.

Cost class analysed by region

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



Observations

- For all cost classes, the average costs for a central London address are significantly higher than the other regions we have analysed
- Costs for greater London tend to be higher, with this the most pronounced in the soft services and hard services cost classes.

Trend analysis

- As expected, central London costs are higher due to the higher operational and wages costs associated with operating in this location
- Higher service charge costs for the greater London area are likely to be as a result of the same premium, albeit to a lesser degree.

Sustainability analysis

Number of offices	
All data	452
BREEAM certification	89

Number of offices
All data 452
BREEAM certification 89

Sustainability analysis

Green building rating systems serve as essential tools for evaluating and enhancing the environmental and sustainability performance of buildings. They deliver a range of benefits to owners, investors, and tenants, including:

- Reduced environmental impact, through the adoption of sustainable design and construction practices
- Operational cost savings, as a result of increased energy efficiency
- Enhanced occupant health and wellbeing through the adoption of biophilic design principles
- Increased market demand for prime assets, often leading to higher rental income and reduced vacancy rates
- Stakeholder transparency, through third-party verification that buildings meet the required sustainability standards.

Predominant rating systems include:

The Building Research Establishment Environmental Assessment Method (BREEAM), developed by the Building Research Establishment (BRE), is a globally recognised framework for assessing the sustainability performance of buildings.

The BREEAM framework evaluates the whole life performance of a building across multiple categories, including energy, water, health and wellbeing, transport, materials, waste, land use and ecology, pollution, and management. Buildings are then assigned a rating of either pass, good, very good excellent or outstanding. To date 610,000 BREEAM-registered buildings have received certification globally.

Leadership in Energy and Environmental Design (LEED), developed by the U.S. Green Building Council (USGBC) provides a framework for designing, constructing, operating and maintaining sustainable buildings. Its ethos is to provide guidance for healthy, efficient and cost-effective green buildings. LEED can be applied to a variety of project types, and whilst the criteria is tailored to suit the specific building type and phase, common areas of focus include, location and transportation, materials and resources, water efficiency, sustainable sites and energy. Projects are certified as either certified, silver, gold or platinum.

The WELL Building Standard, developed by the International WELL Building Institute (IWBI) is a performance-based system that adopts a holistic approach to health in the built environment. It focuses upon monitoring factors that impact human health and well-being, delving into how buildings can prioritise people, given that we spend more than 90% of our time indoors.

The standard is designed to accommodate all project types and sectors and has ten core concepts: air, water, nourishment, light, movement, thermal comfort, sound, materials, mind and community. Projects are certified as either bronze, silver, gold or platinum.

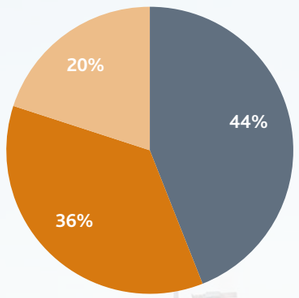
The National Australian Built Environment Rating System (NABERS) has been adopted by the UK and is overseen by the Chartered Institution of Building Services Engineers (CIBSE). It offers two key products. Design for performance is aimed at improving the energy efficiency of new buildings, and Energy for offices focuses upon assessing the operational performance of existing buildings. Over a 12-month period, NABERS evaluates a building's actual performance in areas such as energy and water consumption, waste generation, and indoor environmental quality. This enables building owners to monitor performance, identify opportunities for cost savings, and implement improvements. Buildings are rated on a scale from 1 to 6 stars, with a 6-star rating signifying outstanding environmental performance.

Our sustainability analysis is based on BREEAM certifications as per their database which is publicly available.

Outstanding and excellent | Very good | Good or pass | Not rated

Analysis of properties by BREEAM rating

Percentage of properties by BREEAM rating.

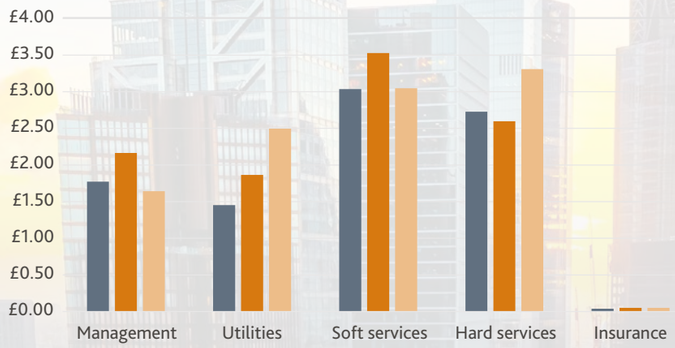


Total costs analysed by BREEAM certification

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

Cost class analysed by BREEAM certification

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



Observations

- At total cost level, all assets with a BREEAM certification had higher costs than the overall average service charge costs seen for the whole data set
- The offices with an 'outstanding' or 'excellent' certification have the lowest total costs driven by lower gas and electricity costs, although there is variation when looking at individual cost classes.

Trend analysis

- BREEAM certified assets are more likely to be premium office space, with sustainable credentials being desirable to many occupiers, and therefore it is understandable the overall service charge cost for these spaces is higher
- It is possible that those buildings with the highest sustainability score have lower energy scores due to greater efficiency supported by the fabric of the building such as better insulation. However, within a relatively small population it is important to consider that other factors may be at play as the BREEAM does not score efficiency in use. For example, a large proportion of the Outstanding & Excellent and Very Good certified properties are located in London, which is also a factor for higher costs.

Number of offices

Comparative data with AC **207**

Total cost review

Three year analysis by EPC rating

Cost classes

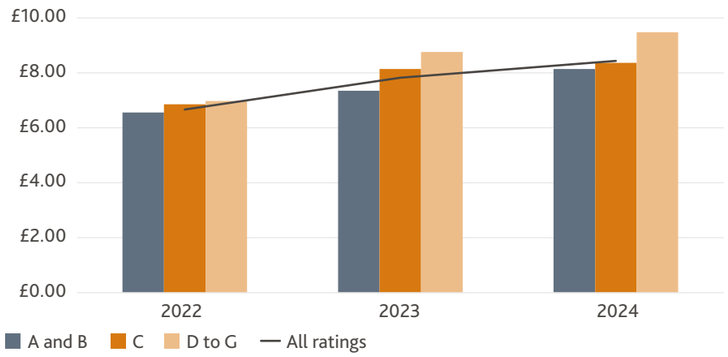
EPC rating group category	A and B			C			D to G		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management	1.29	1.46	1.62	1.12	1.32	1.45	1.15	1.36	1.48
Utilities	0.92	1.36	1.55	1.07	1.70	1.67	1.41	2.05	2.07
Soft services	2.17	2.25	2.44	2.15	2.40	2.51	2.39	2.52	3.01
Hard services	2.13	2.22	2.48	2.48	2.67	2.68	1.99	2.78	2.87
Insurance	0.05	0.06	0.05	0.04	0.05	0.06	0.04	0.05	0.05

Observations

- The trend across three years is that costs have increased year on year across all EPC categories, with the greatest increase seen in utilities from 2022 to 2023
- The greatest increase in costs is seen within the 'D to G' category.

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

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



Trend analysis

With inflation soaring in 2022 as a result of rising energy prices, there has also been pressure on costs from the labour market and raw materials which has kept inflation relatively high until mid-2024. This is reflected in increasing service charge costs, with increases in utility costs likely to be delayed into 2023 as fixed price contracts came to an end.

Number of offices

Comparative data with AC **207**

Total cost review

Three year analysis by size

Observations

Whilst the overall trend is an increase in costs, the greatest increase is in properties within the 'medium' category, with a 30% rise between 2022 to 2024.

Cost classes

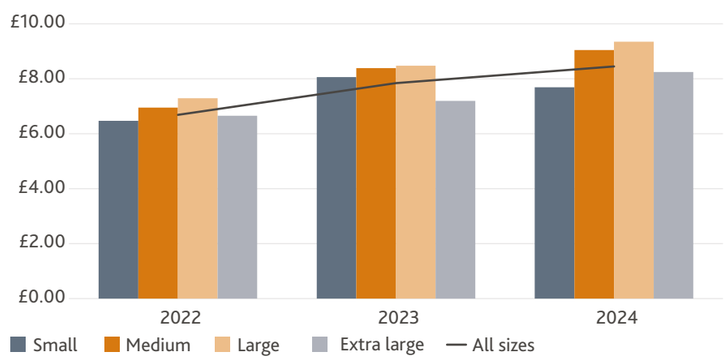
Size group category	Small			Medium			Large			Extra large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.			£/sq.ft		
Management	1.22	1.41	1.55	1.17	1.30	1.34	1.69	1.95	2.06	1.42	1.57	1.63
Utilities	0.94	1.58	1.38	1.58	2.14	2.44	1.01	1.49	1.64	0.45	0.87	1.15
Soft services	1.79	1.93	1.97	2.22	2.41	2.75	2.50	2.77	3.03	2.72	2.70	2.95
Hard services	2.43	2.63	2.91	1.98	2.54	2.52	2.06	2.25	2.62	2.07	2.05	2.55
Insurance	0.05	0.06	0.06	0.04	0.04	0.04	0.07	0.06	0.05	0.03	0.04	0.01

Trend analysis

- The increase in costs across years is mainly driven by utilities, specifically in electricity costs followed by hard and soft services costs
- It is possible that some repairs and maintenance which were delayed during the pandemic fell into 2024 period.

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 data **269**

Total cost review

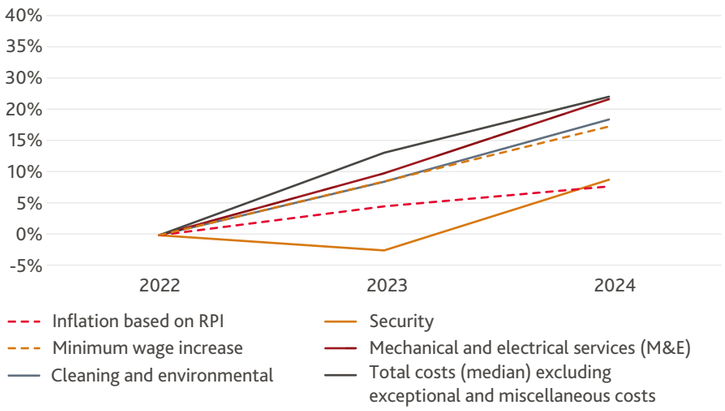
Three year tracked against RPI

Median costs tracked against RPI

The movement of median costs has been plotted below, against RPI and national minimum wage (NMW) increases across the three years reviewed. The inflation line represented below is taken from the RPI figure at 31 December 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). NMW increases occur in April, but have been plotted on the subsequent December to allow for easier comparison. The comparative dataset has been used, with both air conditioned, and non-air conditioned buildings included to give a broad view across the population.

Median costs tracked against RPI and minimum wage

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

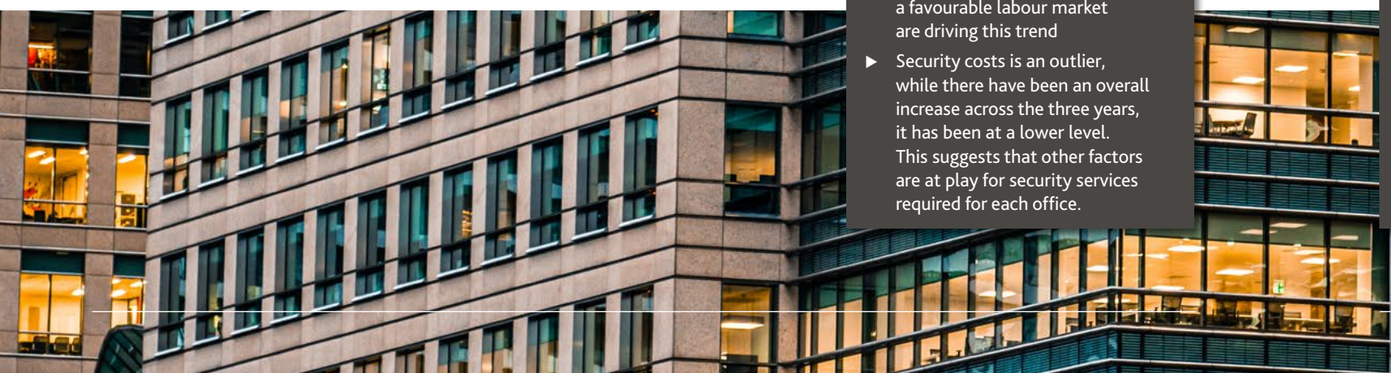


Observations

- The increase in total costs has been higher than both inflation rate and minimum wage increases. However, average costs for cleaning and M&E closely follow the inflation rate trend line
- Security costs, being an exception to the trend lines, had a small dip in 2023 but showed overall 10% increase across the three years.

Trend analysis

- A number of the largest expenditure areas for service charges will be driven by the employment costs of the people that deliver them, for example in cleaning services. Whilst employees may not necessarily be employed at the minimum wage level, it is clear that upwards pressures on wage costs from minimum wage increases and a favourable labour market are driving this trend
- Security costs is an outlier, while there have been an overall increase across the three years, it has been at a lower level. This suggests that other factors are at play for security services required for each office.



Number of offices

Comparative data **269**

Total cost review

Three year analysis of variance to budget

Observations

- Whilst in previous reports we have seen the median line tracking well below 0 with a majority of final expenditure coming in below budget, for the last three years we are seeing a normal distribution of service charge costs with a congregation between 1% and 2% below budget
- There is a wide range of outcomes with 65% of the population having at least 5% either underspent or overspent against budget.

Trend analysis

- The effects of the pandemic meant that lower occupancy levels reduced the cost of providing certain services and some repairs and maintenance works were postponed. This was previously observed in 2020 and 2021 data, but now seems to be having a lesser effect
- The increasing pressures on costs, and the impact of dealing with remedial work delayed by the pandemic is likely to explain the challenges faced in managing the expenditure against the budgeted amounts.

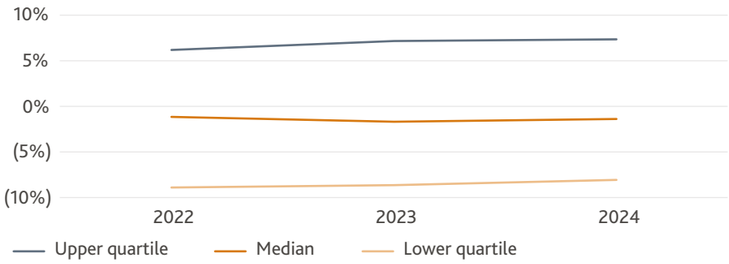
Budget variance

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.



	2022	2023	2024
Upper quartile	6%	7%	7%
Median	(1%)	(2%)	(1%)
Lower quartile	(9%)	(9%)	(8%)

Number of offices

Comparative data with AC **207**

Offices – benchmark cost table

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			Extra large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.			£/sq.ft		
Management												
Management fees	0.59	0.66	0.70	0.51	0.56	0.60	0.57	0.59	0.61	0.57	0.61	0.66
Accounting fees	0.07	0.07	0.08	0.04	0.05	0.05	0.02	0.02	0.03	0.01	0.01	0.01
Site-management resources	0.43	0.52	0.62	0.53	0.58	0.56	1.07	1.28	1.36	0.83	0.94	0.94
Professional fees	0.13	0.16	0.15	0.09	0.11	0.13	0.03	0.06	0.06	0.01	0.01	0.02
Management total	**1.22**	**1.41**	**1.55**	**1.17**	**1.3**	**1.34**	**1.69**	**1.95**	**2.06**	**1.42**	**1.57**	**1.63**
Utilities												
Electricity	0.55	0.84	0.90	1.06	1.43	1.75	0.62	0.91	1.10	0.28	0.60	0.79
Gas	0.20	0.49	0.22	0.34	0.54	0.47	0.21	0.39	0.30	0.06	0.09	0.14
Fuel oil	0.00	0.00	0.00	0.01	0.00	0.01	0.02	0.03	0.06	0.01	0.01	0.02
Water	0.09	0.14	0.13	0.10	0.12	0.15	0.10	0.10	0.11	0.05	0.10	0.13
Utility consultancy	0.10	0.11	0.13	0.07	0.05	0.06	0.06	0.06	0.07	0.05	0.07	0.07
Utilities total	**0.94**	**1.58**	**1.38**	**1.58**	**2.14**	**2.44**	**1.01**	**1.49**	**1.64**	**0.45**	**0.87**	**1.15**
Soft services												
Security	0.59	0.66	0.63	1.22	1.26	1.40	1.49	1.66	1.80	1.80	1.66	1.80
Cleaning and environmental	1.07	1.11	1.14	0.94	1.09	1.28	0.97	1.04	1.14	0.88	0.96	1.09
Landscaping	0.11	0.13	0.16	0.05	0.05	0.05	0.03	0.04	0.05	0.03	0.03	0.04
Marketing and promotions	0.02	0.03	0.04	0.01	0.01	0.02	0.01	0.03	0.04	0.01	0.05	0.02
Soft services total	**1.79**	**1.93**	**1.97**	**2.22**	**2.41**	**2.75**	**2.50**	**2.77**	**3.03**	**2.72**	**2.70**	**2.95**
Hard services												
Mechanical and electrical services (M&E)	1.76	1.91	2.05	1.53	1.98	1.91	1.68	1.76	2.04	1.61	1.57	1.92
Lifts and escalators	0.19	0.19	0.19	0.13	0.14	0.14	0.13	0.16	0.16	0.26	0.29	0.27
Suspended-access equipment	0.06	0.02	0.02	0.02	0.03	0.05	0.02	0.02	0.01	0.02	0.03	0.03
Fabric repairs and maintenance	0.42	0.51	0.65	0.30	0.39	0.42	0.23	0.31	0.41	0.18	0.16	0.33
Hard services total	**2.43**	**2.63**	**2.91**	**1.98**	**2.54**	**2.52**	**2.06**	**2.25**	**2.62**	**2.07**	**2.05**	**2.55**
Insurance												
Engineering insurance	0.03	0.04	0.04	0.03	0.03	0.02	0.04	0.03	0.03	0.03	0.04	0.01
All-risks insurance cover	0.02	0.02	0.02	0.01	0.01	0.02	0.03	0.03	0.02	0.00	0.00	0.00
Insurance total	**0.05**	**0.06**	**0.06**	**0.04**	**0.04**	**0.04**	**0.07**	**0.06**	**0.05**	**0.03**	**0.04**	**0.01**
Grand total	6.43	7.61	7.87	6.99	8.43	9.09	7.33	8.52	9.40	6.69	7.23	8.29

Number of offices

Comparative data with AC **207**

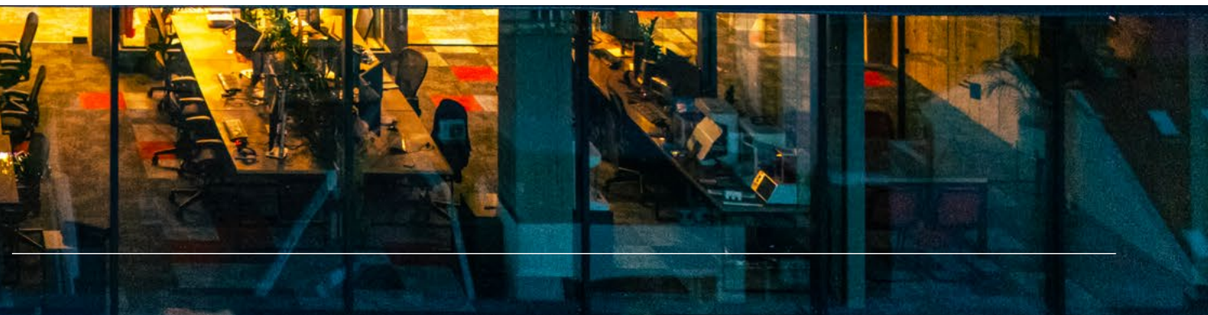
Offices – benchmark cost table

Analysis by size

Percentage of median values analysed by size

Percentage value for each cost category and class as a proportion of overall costs.

Size of building	Small			Medium			Large			Extra large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.			£/sq.ft		
Management												
Management fees	9.18%	8.67%	8.89%	7.30%	6.64%	6.60%	7.78%	6.92%	6.49%	8.52%	8.44%	7.96%
Accounting fees	1.09%	0.92%	1.02%	0.57%	0.59%	0.55%	0.27%	0.23%	0.32%	0.15%	0.14%	0.12%
Site-management resources	6.69%	6.83%	7.88%	7.58%	6.88%	6.16%	14.60%	15.03%	14.47%	12.40%	13.00%	11.34%
Professional fees	2.02%	2.10%	1.91%	1.29%	1.30%	1.43%	0.41%	0.70%	0.64%	0.15%	0.14%	0.24%
Management total	**18.98%**	**18.52%**	**19.70%**	**16.74%**	**15.41%**	**14.74%**	**23.06%**	**22.88%**	**21.92%**	**21.22%**	**21.72%**	**19.66%**
Utilities												
Electricity	8.55%	11.04%	11.44%	15.16%	16.96%	19.25%	8.46%	10.68%	11.70%	4.19%	8.30%	9.53%
Gas	3.11%	6.44%	2.80%	4.86%	6.41%	5.17%	2.86%	4.58%	3.19%	0.90%	1.24%	1.69%
Fuel oil	0.00%	0.00%	0.00%	0.14%	0.00%	0.11%	0.27%	0.35%	0.64%	0.15%	0.14%	0.24%
Water	1.40%	1.84%	1.65%	1.43%	1.42%	1.65%	1.36%	1.17%	1.17%	0.75%	1.38%	1.57%
Utility consultancy	1.56%	1.45%	1.65%	1.00%	0.59%	0.66%	0.82%	0.70%	0.74%	0.75%	0.97%	0.84%
Utilities total	**14.62%**	**20.77%**	**17.54%**	**22.59%**	**25.38%**	**26.84%**	**13.77%**	**17.48%**	**17.44%**	**6.74%**	**12.03%**	**13.87%**
Soft services												
Security	9.18%	8.67%	8.01%	17.46%	14.95%	15.40%	20.33%	19.49%	19.15%	26.90%	22.97%	21.71%
Cleaning and environmental	16.64%	14.59%	14.49%	13.45%	12.93%	14.08%	13.23%	12.21%	12.13%	13.15%	13.28%	13.15%
Landscaping	1.71%	1.71%	2.03%	0.72%	0.59%	0.55%	0.41%	0.47%	0.53%	0.45%	0.41%	0.48%
Marketing and promotions	0.31%	0.39%	0.51%	0.14%	0.12%	0.22%	0.14%	0.35%	0.43%	0.15%	0.69%	0.24%
Soft services total	**27.84%**	**25.36%**	**25.04%**	**31.77%**	**28.59%**	**30.25%**	**34.11%**	**32.52%**	**32.24%**	**40.65%**	**37.35%**	**35.58%**
Hard services												
Mechanical and electrical services (M&E)	27.37%	25.10%	26.04%	21.89%	23.49%	21.02%	22.92%	20.67%	21.70%	24.06%	21.72%	23.17%
Lifts and escalators	2.95%	2.50%	2.41%	1.86%	1.66%	1.54%	1.77%	1.88%	1.70%	3.89%	4.01%	3.26%
Suspended-access equipment	0.93%	0.26%	0.25%	0.29%	0.36%	0.55%	0.27%	0.23%	0.11%	0.30%	0.41%	0.36%
Fabric repairs and maintenance	6.53%	6.70%	8.26%	4.29%	4.63%	4.62%	3.14%	3.64%	4.36%	2.69%	2.21%	3.98%
Hard services total	**37.78%**	**34.56%**	**36.96%**	**28.33%**	**30.14%**	**27.73%**	**28.10%**	**26.42%**	**27.87%**	**30.94%**	**28.35%**	**30.77%**
Insurance												
Engineering insurance	0.47%	0.53%	0.51%	0.43%	0.36%	0.22%	0.55%	0.35%	0.32%	0.45%	0.55%	0.12%
All-risks insurance cover	0.31%	0.26%	0.25%	0.14%	0.12%	0.22%	0.41%	0.35%	0.21%	0.00%	0.00%	0.00%
Insurance total	**0.78%**	**0.79%**	**0.76%**	**0.57%**	**0.48%**	**0.44%**	**0.96%**	**0.70%**	**0.53%**	**0.45%**	**0.55%**	**0.12%**
Grand total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**



Industrial parks

Approach and dataset – Industrial parks

Number of industrial parks

Comparative data	166
All data	384

This is a new sector type to be included in our report, with an 'all data' population of nearly 400 sites which provides a solid foundation for our analysis.

The majority of costs incurred on average are within the soft services and hard services categories.

The legend below applies to all graphs on this page.

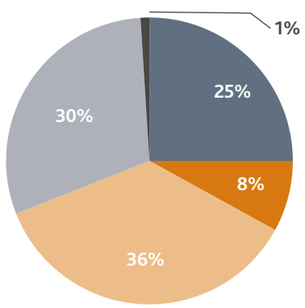
Total service charge reviewed

£70m

Management Utilities Soft services Hard services Insurance Total

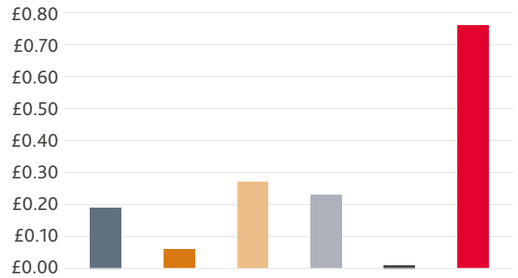
Total average service charge split

Number of properties by property use (all data).



Total average service charge split

Total costs based on median data (excluding exceptional and miscellaneous costs)



Number of Industrial parks

All data	384

Efficiency analysis

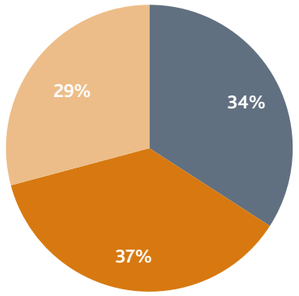
The efficiency rating for each asset has been identified with reference to the latest rating published for each asset, noting that there may be multiple efficiency ratings available at each site address.

The legend below applies to all graphs on this page.

EPC rating: A and B C D to G

Analysis of properties by EPC rating

Percentage of properties by EPC rating.

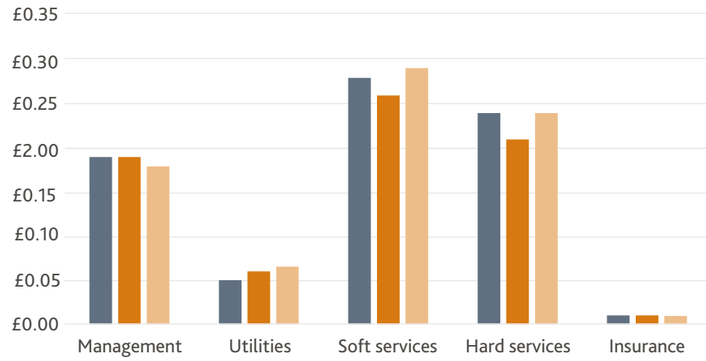


Total costs analysed by EPC rating

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

Cost class analysed by EPC rating

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



Observations

- There is a fairly even split between each of the EPC categories, reflecting a diverse data set in this respect
- There is little differential at total cost level, but there are slightly lower costs in the category 'C', particularly when looking at soft and hard services. Utility costs are slightly lower for the most efficient sites.

Trend analysis

It is possible that the sites with the higher efficiency ratings are able to make some savings due to more efficient infrastructure. However these costs are low as part of the overall service charge and other differences do not appear to be related to the efficiency of the site, or age of construction which may correlate with the EPC.

Number of Industrial parks

All data	384

Size analysis

Size analysis

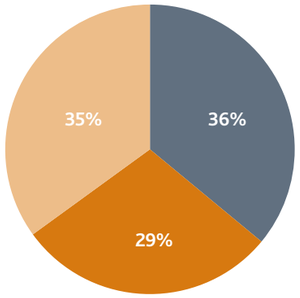
We have analysed our dataset based on total floor area of the service charge building or development. The population has been split into three size categories – small, medium and large – with the greatest volume of our dataset falling into the small category.

The legend below applies to all graphs on this page.

Small Medium Large

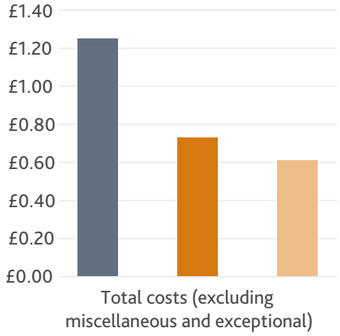
Analysis of properties by size

Percentage of properties by size.



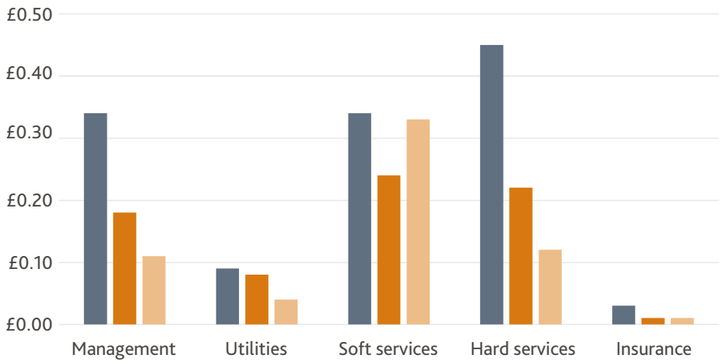
Total costs analysed by size

Median cost per sq. ft. analysed by size.



Cost class analysed by size

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



Observations

- The largest sites have the lowest total average cost per sq. ft., whilst costs for the smallest sites are significantly higher
- The same trend is seen in all cost classes with the exception of soft services, where there is a degree of variation for average security costs.

Trend analysis

- As seen across the sectors in this report, there are economies of scale within the larger sites, particularly in the management costs and hard services cost classes
- Security costs do not appear to benefit from the same economies of scale, suggesting that the cost of these services tends to have a greater association with the area covered or site specific requirements.

Size	Floor area (sq. ft.)
Small	0 – 74,999
Medium	75,000 – 149,999
Large	150,000 and above

Number of Industrial parks

All data	384

Regional analysis

Observations

- Total average costs for sites in the London area are higher than the other regions, with soft service costs particularly higher
- In most cost classes, the lowest average cost per sq. ft. is within the South region.

Trend analysis

- As seen in the offices sector, average service charge costs are higher in London due to the higher operational and wage costs in this area
- The cost driving the soft services cost class total for London is security costs, which suggest that both employment costs are higher, and the requirement for security services is relatively higher in this area.

Regional analysis

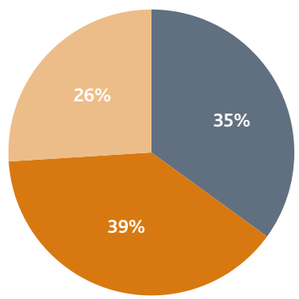
Properties have been mapped to regions as set out in our methodology report. This has been driven by relative sample sizes and an expectation of higher costs to be found in the south and London regions.

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.

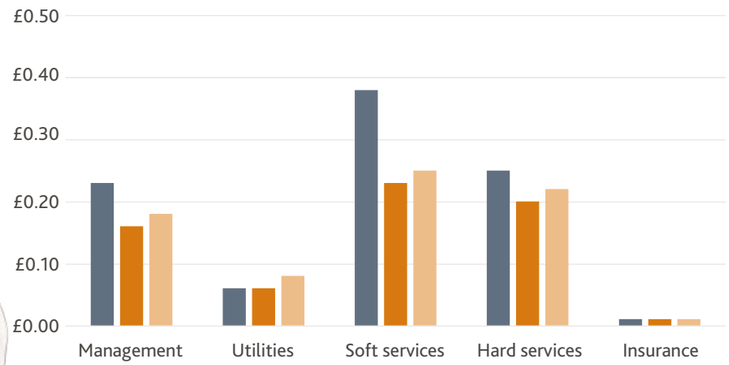


Total costs analysed by region

Median cost per sq. ft. analysed by region.

Cost class analysed by region

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



Number of Industrial parks

Comparative data **166**

Total cost review

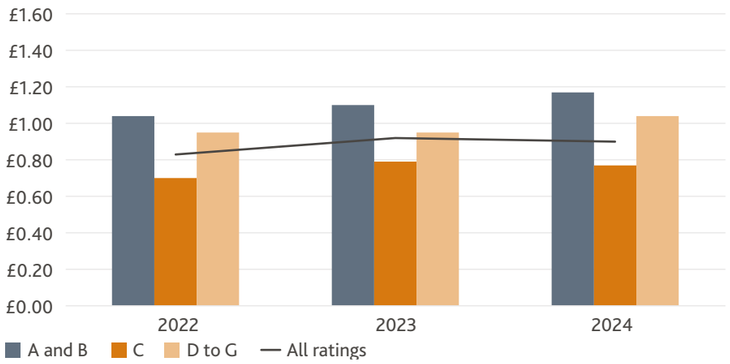
Three year analysis by EPC rating

Cost classes

EPC rating group category	A and B			C			D to G		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management	0.22	0.24	0.26	0.16	0.18	0.19	0.17	0.19	0.20
Utilities	0.04	0.04	0.05	0.03	0.04	0.07	0.11	0.10	0.12
Soft services	0.42	0.44	0.51	0.26	0.24	0.24	0.33	0.34	0.36
Hard services	0.34	0.36	0.34	0.23	0.31	0.25	0.32	0.30	0.34
Insurance	0.02	0.02	0.01	0.02	0.02	0.02	0.02	0.02	0.02

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

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



Observations

- Due to the nature of our data set, the comparative data is significantly lower than the full data set, so there is a different trend to that seen earlier in the report. However the comparative data set does allow for a more reliable view of cost increases over time
- There is an increase in costs over the three years in both the 'A and B' and 'D to G' categories, but costs for the 'C' category had a small decrease in 2024, mainly as a result of lower M&E costs.

Trend analysis

Service charge costs for industrial estates appear to have been less impacted by inflationary increases, when compared to other sectors. Where repairs and maintenance is required, this has driven a trend towards increased costs, and is perhaps reflective of a large variation of requirements across the sites within the data set.

Number of Industrial parks

Comparative data **166**

Total cost review

Three year analysis by size

Observations

- The 'small' and 'large' categories had a 9% increase in costs across the 3 year period, whilst those in the 'medium' category dropped by 7%
- The main reason for the reduction in costs in the 'medium' category is due to lower lifts and escalator expenditure.

Trend analysis

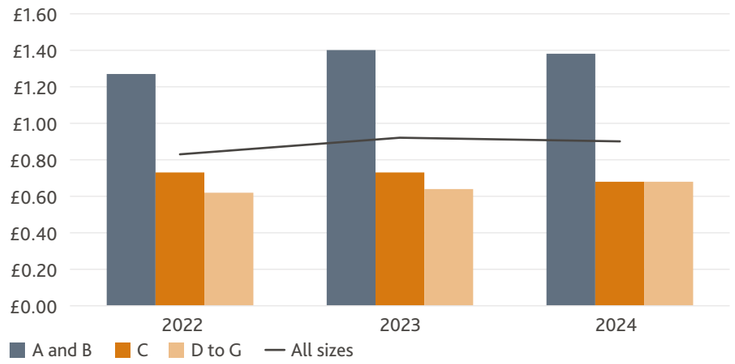
- Whilst the smallest sites tend to have the highest average costs, the growth rate of costs in the 'small' category is consistent with the largest sites, suggesting that they are impacted by inflationary increases to the same degree
- Costs within the hard services cost class are notably variable, and as noted previously are more likely to be related to the requirements of the individual site rather than its size.

Cost classes

Size group category	Small			Medium			Large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management	0.29	0.31	0.34	0.14	0.15	0.15	0.09	0.10	0.11
Utilities	0.10	0.12	0.19	0.03	0.03	0.05	0.03	0.04	0.03
Soft services	0.36	0.35	0.36	0.23	0.22	0.19	0.35	0.33	0.39
Hard services	0.48	0.57	0.46	0.31	0.31	0.27	0.14	0.15	0.14
Insurance	0.04	0.05	0.03	0.02	0.02	0.02	0.01	0.02	0.01

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

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



Number of Industrial parks

Comparative data **166**

Total cost review

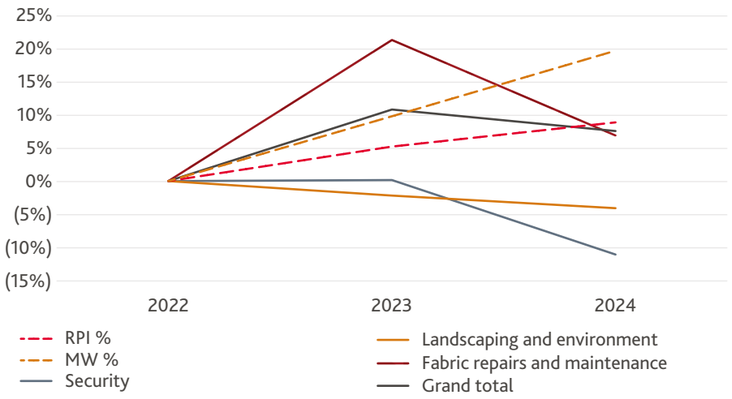
Three year tracked against RPI

Median costs tracked against RPI

The movement of median costs has been plotted below, against RPI and national minimum wage (NMW) increases across the three years reviewed. The inflation line represented below is taken from the RPI figure at 31 December 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). NMW increases occur in April, but have been plotted on the subsequent December to allow for easier comparison. The comparative dataset has been used.

Median costs tracked against RPI and minimum wage

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



Observations

- The total average costs have increased at a similar rate as inflation between 2022 and 2024, although there was a spike in 2023 as a result of significant increases in fabric repairs and other hard services costs
- Both landscaping and security average costs have reduced over the three year period, with the latter falling by 11%.

Trend analysis

Whilst the total costs trend line is broadly in line with inflation, the movements within the largest expense items within this have had very different trajectories across the three years.

Number of Industrial parks

Comparative data **166**

Total cost review

Three year analysis of variance to budget

Observations

- The average variance to budget across the three years is around the 5% mark below budget, but outside of this there is a fairly broad spread of outcomes compared to the other sectors
- With the lowest quartile around 15% below budget, this represents a significant underspend against expected budgeted costs.

Trend analysis

With reference to the variation in costs seen on the previous page across the three year period, it is unsurprising to see such a variation when looking at spend against budget, particularly when looking at fabric repairs costs which are more difficult to predict.

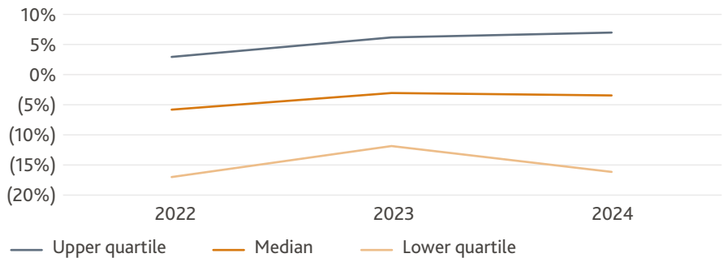
Budget variance

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.



	2022	2023	2024
Upper quartile	3%	6%	7%
Median	(6%)	(3%)	(3%)
Lower quartile	(17%)	(12%)	(16%)

Number of Industrial parks

Comparative data **166**

Industrial parks – benchmark cost table

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		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.09	0.10	0.12	0.06	0.06	0.06	0.05	0.04	0.05
Accounting fees	0.02	0.03	0.03	0.01	0.01	0.01	0.00	0.01	0.01
Site-management resources	0.16	0.16	0.16	0.06	0.07	0.07	0.03	0.04	0.04
Professional fees	0.02	0.02	0.03	0.01	0.01	0.01	0.01	0.01	0.01
Management total	**0.29**	**0.31**	**0.34**	**0.14**	**0.15**	**0.15**	**0.09**	**0.10**	**0.11**
Utilities									
Electricity	0.04	0.04	0.04	0.02	0.02	0.03	0.02	0.02	0.02
Water	0.05	0.07	0.14	0.01	0.01	0.02	0.01	0.02	0.01
Utility consultancy	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Utilities total	**0.10**	**0.12**	**0.19**	**0.03**	**0.03**	**0.05**	**0.03**	**0.04**	**0.03**
Soft services									
Security	0.17	0.12	0.14	0.09	0.09	0.06	0.26	0.23	0.28
Cleaning and environmental	0.07	0.10	0.09	0.04	0.04	0.03	0.04	0.05	0.05
Landscaping	0.12	0.13	0.13	0.10	0.09	0.10	0.05	0.05	0.06
Soft services total	**0.36**	**0.35**	**0.36**	**0.23**	**0.22**	**0.19**	**0.35**	**0.33**	**0.39**
Hard services									
Mechanical and electrical services (M&E)	0.15	0.16	0.11	0.10	0.12	0.08	0.06	0.07	0.07
Lifts and escalators	0.09	0.13	0.08	0.11	0.06	0.07	0.02	0.02	0.03
Suspended-access equipment	0.00	0.00	0.00	0.01	0.01	0.02	0.00	0.00	0.00
Fabric repairs and maintenance	0.24	0.28	0.27	0.09	0.12	0.10	0.06	0.06	0.04
Hard services total	**0.48**	**0.57**	**0.46**	**0.31**	**0.31**	**0.27**	**0.14**	**0.15**	**0.14**
Insurance									
Engineering insurance	0.03	0.04	0.02	0.01	0.01	0.01	0.01	0.01	0.00
All-risks insurance cover	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.01
Insurance total	**0.04**	**0.05**	**0.03**	**0.02**	**0.02**	**0.02**	**0.01**	**0.02**	**0.01**
Grand total	**1.27**	**1.40**	**1.38**	**0.73**	**0.73**	**0.68**	**0.62**	**0.64**	**0.68**

Number of Industrial parks

Comparative data **166**

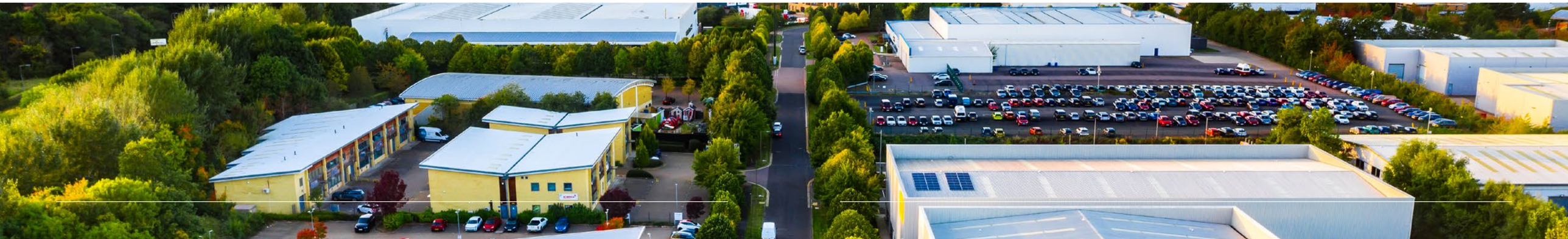
Industrial parks – benchmark cost table

Analysis by size

Percentage of median values analysed by size

Percentage value for each cost category and class as a proportion of overall costs.

Size of building	Small			Medium			Large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	7.09%	7.14%	8.70%	8.22%	8.22%	8.82%	8.06%	6.25%	7.35%
Accounting fees	1.57%	2.14%	2.17%	1.37%	1.37%	1.47%	0.00%	1.56%	1.47%
Site-management resources	12.60%	11.43%	11.60%	8.22%	9.58%	10.29%	4.84%	6.25%	5.88%
Professional fees	1.57%	1.43%	2.17%	1.37%	1.37%	1.47%	1.61%	1.56%	1.47%
Management total	**22.83%**	**22.14%**	**24.64%**	**19.18%**	**20.54%**	**22.05%**	**14.51%**	**15.62%**	**16.17%**
Utilities									
Electricity	3.15%	2.86%	2.90%	2.74%	2.74%	4.41%	3.23%	3.13%	2.94%
Water	3.94%	5.00%	10.14%	1.37%	1.37%	2.94%	1.61%	3.13%	1.47%
Utility consultancy	0.79%	0.71%	0.72%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Utilities total	**7.88%**	**8.57%**	**13.76%**	**4.11%**	**4.11%**	**7.35%**	**4.84%**	**6.26%**	**4.41%**
Soft services									
Security	13.39%	8.57%	10.14%	12.33%	12.33%	8.82%	41.94%	35.93%	41.20%
Cleaning and environmental	5.51%	7.14%	6.52%	5.48%	5.48%	4.41%	6.45%	7.81%	7.35%
Landscaping	9.45%	9.29%	9.42%	13.70%	12.33%	14.72%	8.06%	7.81%	8.82%
Soft services total	**28.35%**	**25.00%**	**26.08%**	**31.51%**	**30.14%**	**27.95%**	**56.45%**	**51.55%**	**57.37%**
Hard services									
Mechanical and electrical services (M&E)	11.81%	11.43%	7.97%	13.70%	16.44%	11.76%	9.68%	10.94%	10.29%
Lifts and escalators	7.09%	9.29%	5.80%	15.06%	8.22%	10.29%	3.23%	3.13%	4.41%
Suspended-access equipment	0.00%	0.00%	0.00%	1.37%	1.37%	2.94%	0.00%	0.00%	0.00%
Fabric repairs and maintenance	18.89%	20.00%	19.58%	12.33%	16.44%	14.72%	9.68%	9.38%	5.88%
Hard services total	**37.79%**	**40.72%**	**33.35%**	**42.46%**	**42.47%**	**39.71%**	**22.59%**	**23.45%**	**20.58%**
Insurance									
Engineering insurance	2.36%	2.86%	1.45%	1.37%	1.37%	1.47%	1.61%	1.56%	0.00%
All-risks insurance cover	0.79%	0.71%	0.72%	1.37%	1.37%	1.47%	0.00%	1.56%	1.47%
Insurance total	**3.15%**	**3.57%**	**2.17%**	**2.74%**	**2.74%**	**2.94%**	**1.61%**	**3.12%**	**1.47%**
Grand total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**



Retail parks

Approach and dataset – Retail parks

Number of retail parks	
Comparative data	125
All data	214

Retail parks

This is a new sector type to be included in our report, with an 'all data' population of over 200 sites which provides a solid foundation for our analysis.

The soft services cost class makes up a significant part of the typical service charge for this asset type and is therefore a key driver for many of the trends we have identified.

The legend below applies to all graphs on this page.

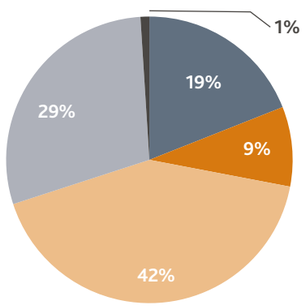
Total service charge reviewed

£39m

Management Utilities Soft services Hard services Insurance Total

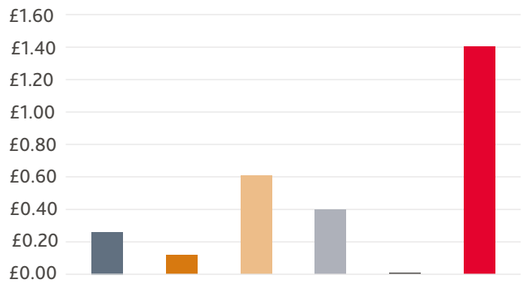
Total average service charge split

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



Total average service charge costs

Total costs based on median data (excluding exceptional and miscellaneous costs)



Number of retail parks	
All data	214

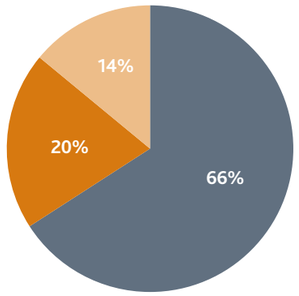
Efficiency analysis

The efficiency rating for each asset has been identified with reference to the latest rating published for each asset, noting that there may be multiple efficiency ratings available at each site address. The legend below applies to all graphs on this page.

EPC rating: A and B C D to G

Analysis of properties by EPC rating

Percentage of properties by EPC rating.

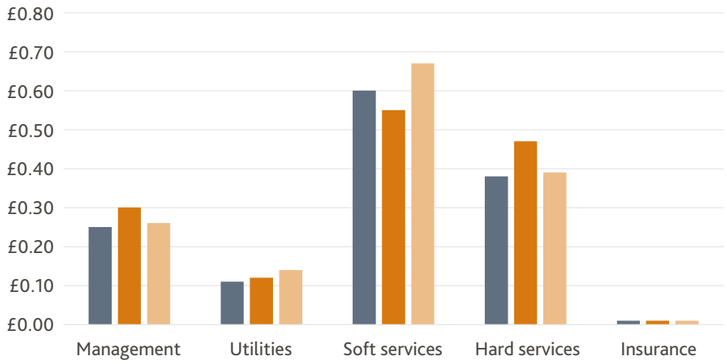


Total costs analysed by EPC rating

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

Cost class analysed by EPC rating

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



Observations

- Two thirds of the data set is within the 'A and B' category, with the majority of sites certified as 'B'
- There is a trend towards lower total costs for the most efficient sites, which is also mirrored in the utilities cost class. The other cost classes are variable in relation to the efficiency rating.

Trend analysis

- Retail parks tend to be more modern than other asset types due to their age and style of construction. Therefore it is unsurprising that the majority of sites are certified as C or above for efficiency
- It is possible that the lower costs for utilities in the most efficient sites is a result of lower energy usage, however the overall spend in this class is relatively low. If the most efficient assets have been constructed more recently, they are likely to have lower maintenance costs which is contributing to the overall trend.

Number of retail parks

All data	214

Size analysis

Size analysis

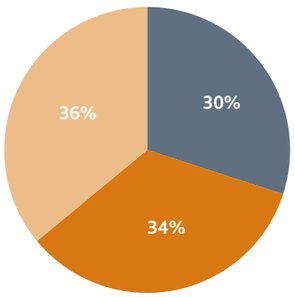
We have analysed our dataset based on total floor area of the shopping centre as reported in the budget. The population has been split into three size categories – small, medium and large – which gives an even spread of assets. Any shopping centres with a footprint below 40,000 sq ft have been excluded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

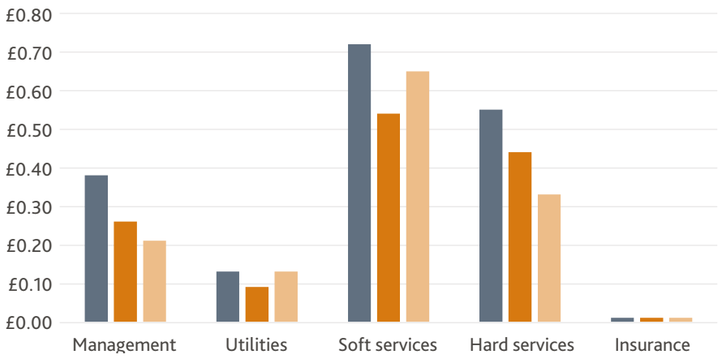


Total costs analysed by size

Median cost per sq. ft. analysed by size.

Cost class analysed by size

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



Observations

- The sites within the 'small' category have the highest average cost per sq. ft., with a similar trend seen across each cost class
- In particular, the soft services cost class makes up the largest element of expense for the small sites, with security, landscaping and cleaning costs being the drivers for the higher average costs.

Trend analysis

- It appears that economies of scale are gained within both the 'medium' and 'large' categories
- It is likely that the number of security personnel is not directly proportionate to the size of the site, therefore it is expected that security costs would be higher on average for a small site.

Building size	Floor area (sq. ft.)
Small	0 – 49,999
Medium	50,000 – 99,999
Large	100,000 and above

Number of retail parks

All data	214

Regional analysis

Observations

Due to the nature of retail parks being based in out of town locations, a low proportion of our data is within the London area. Whilst there is a premium for the London based sites, the differential is not as significant as we have observed in other sector types.

Trend analysis

The overall trend towards higher costs in London can be explained by the higher operational and wage costs in this area. However, the trends at cost class level do not seem to follow a consistent trend that can be explained by regional variations.

Regional analysis

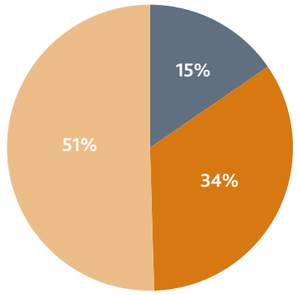
Properties have been mapped to regions as set out in our methodology report. This has been driven by relative sample sizes and an expectation of higher costs to be found in the south and London regions.

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.

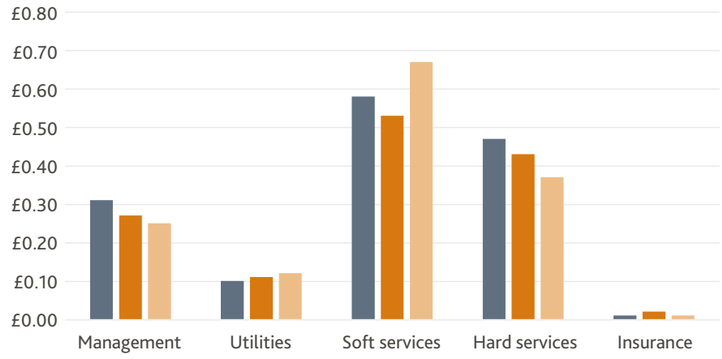


Total costs analysed by region

Median cost per sq. ft. analysed by region.

Cost class analysed by region

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



Number of retail parks

Comparative data **125**

Total cost review

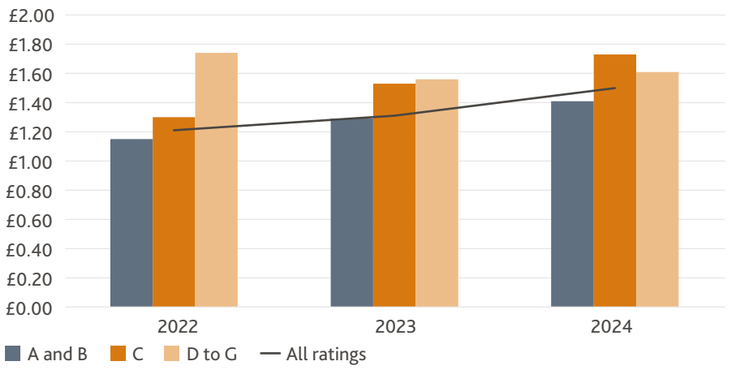
Three year analysis by EPC rating

Cost classes

EPC rating group category	A and B			C			D to G		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management	0.23	0.25	0.26	0.24	0.31	0.31	0.25	0.27	0.29
Utilities	0.07	0.09	0.11	0.07	0.09	0.10	0.09	0.13	0.14
Soft services	0.54	0.54	0.66	0.68	0.77	0.84	0.95	0.74	0.77
Hard services	0.30	0.40	0.37	0.30	0.35	0.47	0.45	0.41	0.40
Insurance	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.01

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

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



Observations

- Whilst there is a trend of increasing costs over the three years in the 'A and B' and 'C' categories, the total costs for category 'D to G' have decreased
- Within all categories, spend on cleaning costs is a key driver for the movements seen, being one of the biggest areas of spending.

Trend analysis

- The majority of our data set is within the 'A and B' category, and therefore the increase seen in this data is most representative of retail parks overall. It is likely the decrease seen in the 'D to G' category is due to smaller sample giving less typical results
- In all categories, the spend on utilities has risen, reflecting the impact of inflation regardless of the efficiency rating.

Number of retail parks

Comparative data **125**

Total cost review

Three year analysis by size

Observations

There has been an increase in total costs across the three years for each of the size categories, with the 'small' category experiencing the greatest increase in costs.

Trend analysis

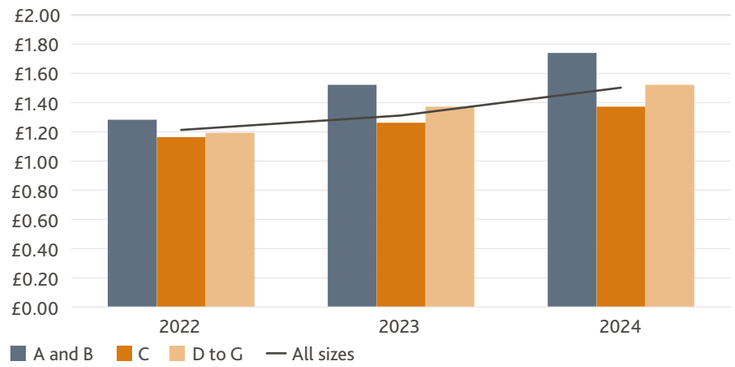
Whilst it seems that the sites in the 'small' category do not benefit from the same economies of scale compared to the larger sites, it appears that these sites are also experiencing more significant increases in costs. This may be related to the ability to secure good rates for smaller sites due to the size of contract.

Cost classes

Size group category	Small			Medium			Large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management	0.28	0.36	0.35	0.23	0.24	0.26	0.18	0.19	0.22
Utilities	0.08	0.10	0.13	0.05	0.06	0.08	0.09	0.13	0.14
Soft services	0.42	0.52	0.61	0.54	0.58	0.60	0.69	0.75	0.85
Hard services	0.39	0.54	0.65	0.34	0.38	0.43	0.23	0.30	0.31
Insurance	0.12	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

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

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



Number of retail parks

Comparative data **125**

Total cost review

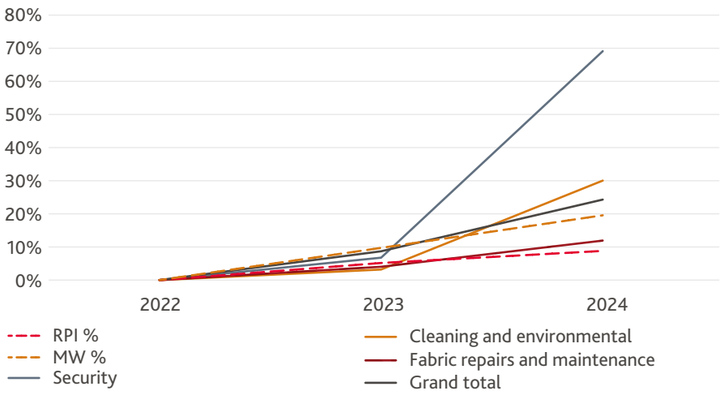
Three year tracked against RPI

Median costs tracked against RPI

The movement of median costs has been plotted below against RPI and national minimum wage (NMW) increases across the three years reviewed. The inflation line represented below is taken from the RPI figure at 31 December 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). NMW increases occur in April, but have been plotted on the subsequent December to allow for easier comparison. The comparative dataset has been used.

Median costs tracked against RPI and minimum wage

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



Observations

- Total costs have increased ahead of inflation across the three years, although this is unsurprising given the significant increase in security and cleaning costs which together make up most of the soft services spend, a cost class that drives the biggest increases in overall average total costs
- Whilst fabric repairs have increased in line with inflation, the cleaning costs have increased more significantly in 2024, ahead of the minimum wage increases seen.

Trend analysis

- It is likely that security costs have been impacted by increasing pressures on wage costs, but such a large increase in costs in 2024 must also reflect increasing requirements for security services, perhaps in response rising incidents of retail theft
- It is also possible that there have been increased requirements for cleaning, as the increase in this cost is much higher than seen in other sectors.

Number of retail parks

Comparative data **125**

Total cost review

Three year analysis of variance to budget

Observations

- On average, total service charge costs are below budget across the three years, with less than 25% of the data set more than 5% over budget in 2023 and 2024
- At the other end of the scale the lower quartile reflects an underspend of at least 13% across all three years.

Trend analysis

- There appears to be strong cost management to keep total costs close to those set in the budgets, which may be due to the challenging trading conditions for retailers. 78% of retail park properties had budget variance of less than 5% under or over budget
- It has also been a difficult period to predict inflationary increases, and these may have been over-estimated in the population that makes up the lower quartile.

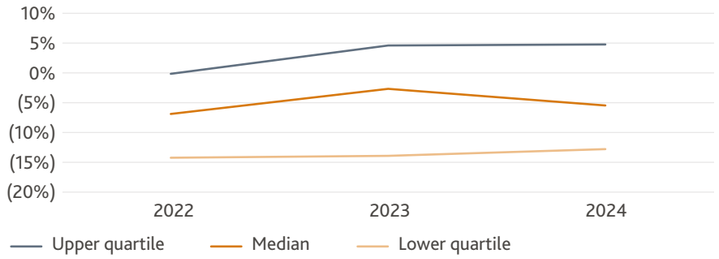
Budget variance

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.



	2022	2023	2024
Upper quartile	0%	5%	5%
Median	(7%)	(3%)	(5%)
Lower quartile	(14%)	(14%)	(13%)

Number of retail parks

Comparative data **125**

Retail parks – benchmark cost table

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		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.10	0.12	0.13	0.09	0.10	0.11	0.09	0.10	0.11
Accounting fees	0.03	0.04	0.04	0.02	0.02	0.02	0.01	0.01	0.01
Site-management resources	0.13	0.18	0.16	0.10	0.11	0.11	0.07	0.07	0.08
Professional fees	0.02	0.02	0.02	0.02	0.01	0.02	0.01	0.01	0.02
Management total	**0.28**	**0.36**	**0.35**	**0.23**	**0.24**	**0.26**	**0.18**	**0.19**	**0.22**
Utilities									
Electricity	0.07	0.09	0.10	0.05	0.04	0.05	0.09	0.11	0.12
Fuel oil	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Water	0.00	0.00	0.01	0.00	0.01	0.01	0.00	0.01	0.01
Utility consultancy	0.01	0.01	0.02	0.00	0.01	0.01	0.00	0.01	0.01
Utilities total	**0.08**	**0.10**	**0.13**	**0.05**	**0.06**	**0.08**	**0.09**	**0.13**	**0.14**
Soft services									
Security	0.04	0.09	0.16	0.12	0.11	0.13	0.24	0.32	0.36
Cleaning and environmental	0.15	0.16	0.17	0.20	0.25	0.25	0.33	0.29	0.35
Landscaping	0.23	0.25	0.27	0.21	0.20	0.20	0.10	0.11	0.12
Marketing and promotions	0.00	0.02	0.01	0.01	0.02	0.02	0.02	0.03	0.02
Soft services total	**0.42**	**0.52**	**0.61**	**0.54**	**0.58**	**0.60**	**0.69**	**0.75**	**0.85**
Hard services									
Mechanical and electrical services (M&E)	0.12	0.13	0.17	0.10	0.13	0.18	0.09	0.12	0.12
Lifts and escalators	0.00	0.00	0.00	0.05	0.06	0.04	0.01	0.01	0.03
Suspended-access equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.03	0.01
Fabric repairs and maintenance	0.27	0.41	0.48	0.19	0.19	0.21	0.12	0.14	0.15
Hard services total	**0.39**	**0.54**	**0.65**	**0.34**	**0.38**	**0.43**	**0.23**	**0.30**	**0.31**
Insurance									
Engineering insurance	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
All-risks insurance cover	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Insurance total	**0.12**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**	**0.01**
Grand total	**1.29**	**1.53**	**1.75**	**1.17**	**1.27**	**1.38**	**1.20**	**1.38**	**1.53**

Number of retail parks

Comparative data **125**

Retail parks – benchmark cost table

Analysis by size

Percentage of median values analysed by size

Percentage value for each cost category and class as a proportion of overall costs.

Size of building	Small			Medium			Large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	7.75%	7.84%	7.43%	7.69%	7.87%	7.97%	7.50%	7.25%	7.19%
Accounting fees	2.33%	2.61%	2.29%	1.71%	1.57%	1.45%	0.83%	0.72%	0.65%
Site-management resources	10.08%	11.76%	9.14%	8.55%	8.66%	7.97%	5.83%	5.07%	5.23%
Professional fees	1.55%	1.31%	1.14%	1.71%	0.79%	1.45%	0.83%	0.72%	1.31%
Management total	**21.71%**	**23.52%**	**20.00%**	**19.66%**	**18.89%**	**18.84%**	**14.99%**	**13.76%**	**14.38%**
Utilities									
Electricity	5.43%	5.88%	5.71%	4.27%	3.15%	3.62%	7.50%	7.97%	7.84%
Fuel oil	0.00%	0.00%	0.00%	0.00%	0.00%	0.72%	0.00%	0.00%	0.00%
Water	0.00%	0.00%	0.57%	0.00%	0.79%	0.72%	0.00%	0.72%	0.65%
Utility consultancy	0.78%	0.65%	1.14%	0.00%	0.79%	0.72%	0.00%	0.72%	0.65%
Utilities total	**6.20%**	**6.53%**	**7.42%**	**4.27%**	**4.73%**	**5.78%**	**7.50%**	**9.41%**	**9.14%**
Soft services									
Security	3.10%	5.88%	9.14%	10.26%	8.66%	9.42%	20.01%	23.21%	23.54%
Cleaning and environmental	11.63%	10.46%	9.71%	17.09%	19.69%	18.13%	27.51%	21.02%	22.89%
Landscaping	17.83%	16.34%	15.44%	17.96%	15.75%	14.49%	8.33%	7.97%	7.84%
Marketing and promotions	0.00%	1.31%	0.57%	0.85%	1.57%	1.45%	1.67%	2.17%	1.31%
Soft services total	**32.56%**	**33.99%**	**34.86%**	**46.16%**	**45.67%**	**43.49%**	**57.52%**	**54.37%**	**55.58%**
Hard services									
Mechanical and electrical services (M&E)	9.30%	8.50%	9.71%	8.55%	10.24%	13.04%	7.50%	8.70%	7.84%
Lifts and escalators	0.00%	0.00%	0.00%	4.27%	4.72%	2.90%	0.83%	0.72%	1.96%
Suspended-access equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.83%	2.17%	0.65%
Fabric repairs and maintenance	20.93%	26.81%	27.44%	16.24%	14.96%	15.23%	10.00%	10.15%	9.80%
Hard services total	**30.23%**	**35.31%**	**37.15%**	**29.06%**	**29.92%**	**31.17%**	**19.16%**	**21.74%**	**20.25%**
Insurance									
Engineering insurance	8.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
All-risks insurance cover	0.78%	0.65%	0.57%	0.85%	0.79%	0.72%	0.83%	0.72%	0.65%
Insurance total	**9.30%**	**0.65%**	**0.57%**	**0.85%**	**0.79%**	**0.72%**	**0.83%**	**0.72%**	**0.65%**
Grand total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Shopping centres

Approach and dataset – Shopping centres

Number of shopping centres

Comparative data	43
All data	70

There has been an increase in the data set this year, along with a change in the mix of sites due to the changes in the submissions from existing contributors. Therefore previous years' results are restated to allow a meaningful trend analysis, but will not match to our previous report's results.

The soft services cost class makes up a significant part of the typical service charge for this asset type and is therefore a key driver for many of the trends we have identified.

The legend below applies to all graphs on this page.

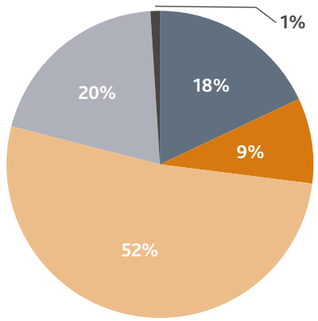
Total service charge reviewed

£81m

Management Utilities Soft services Hard services Insurance Total

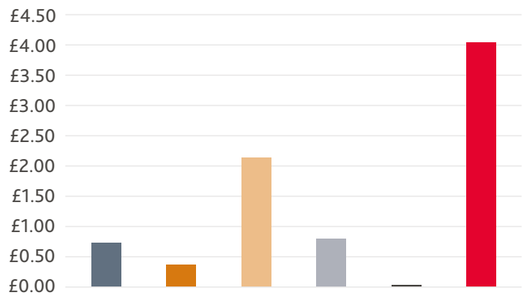
Total average service charge split

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



Total average service charge costs

Total costs based on median data (excluding exceptional and miscellaneous costs)



Open vs enclosed shopping centres

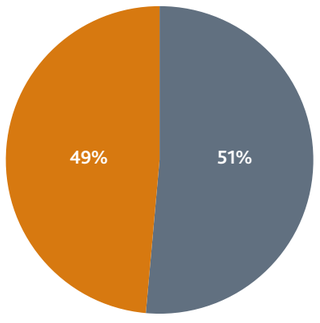
Number of shopping centres

All data	70

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 34 enclosed and 36 open assets in our data set.

Analysis of properties by open or enclosed

Number of shopping centres by type.



Total costs analysed by shopping centre type

Median cost per sq. ft.

Observations

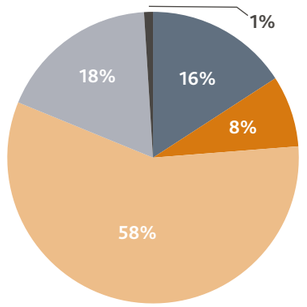
The overall costs for enclosed shopping centres are higher than that for the open type. The overall split of spend is very similar with a higher spend on utilities and mechanical and electrical (M&E) costs in the enclosed shopping centres.

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 spend on utilities is to be expected due to more potential for lighting and heated areas in an enclosed space. It is also likely that the enclosed sites will have more lifts or escalators increasing the spend on M&E.

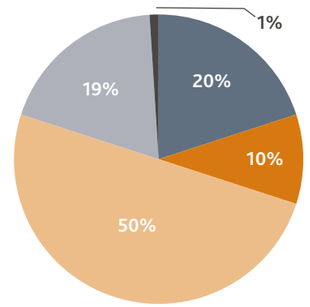
Total average service charge split - open

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



Total average service charge split - enclosed

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



The legend below applies to all graphs on this page.

Management Utilities Soft services Hard services Insurance

Number of shopping centres

All data	70

Efficiency considerations

Energy efficiency considerations for industrial parks can be broken down into the following areas:

A key strategy for improving energy efficiency in shopping centres is the investment in renewable energy technologies. One prominent example is the installation of rooftop photovoltaic (PV) panel systems. In addition, energy-efficient lighting solutions such as LED installations can significantly reduce electricity consumption across retail spaces. The implementation of a Building Management System (BMS) enables real-time monitoring and control of energy usage, supporting more informed decision-making and operational optimisation.

Biophilic design principles may also contribute positively to energy efficiency within shopping centres. Through the integration of natural elements and environmental focused strategies these design approaches may help to reduce the dependence on artificial systems. Examples include:

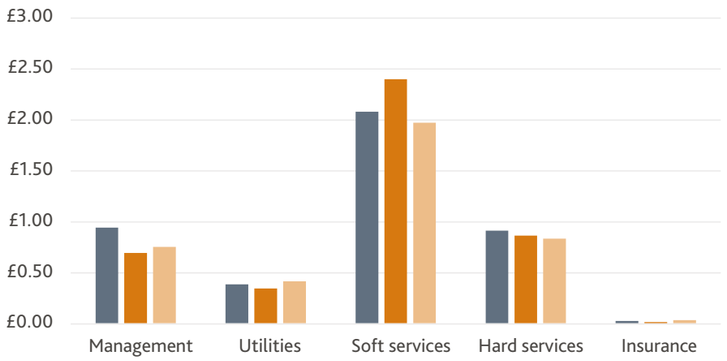
1. Maximising the use of natural light, thereby reducing the need for artificial lighting
2. Using natural ventilation to reduce the reliance on mechanical HVAC systems
3. Installing green walls or vegetated roof spaces to lower heat absorption and improve thermal performance.

The legend below applies to all graphs on this page.

A and B C D to G

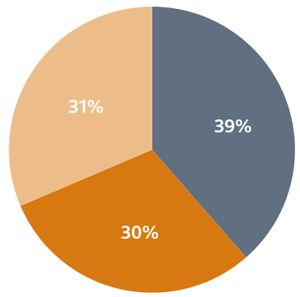
Cost class analysed by EPC rating

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



Analysis of properties by EPC rating

Percentage of properties by EPC rating.



Total costs analysed by EPC rating

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

Observations

- There is not a significant difference in the total costs when comparing efficiency ratings, particularly between 'A and B' and 'C'
- At cost class level, there is a tendency for the most efficient assets to have the higher costs, with the exception of soft services, which does not follow this trend.

Trend analysis

- It is likely that the most efficient shopping centres are those with the higher standard of facilities which are likely to incur higher than average costs
- The reason for the higher soft services costs for category 'C' is due to relatively higher average cleaning and marketing costs. This reflects that there can be a unique nature of costs incurred depending on the site.

Size analysis

Number of shopping centres	
All data	70

Size analysis

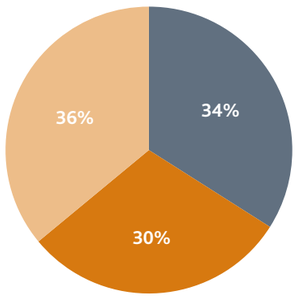
We have analysed our dataset based on total floor area of the shopping centre as reported in the budget. The population has been split into three size categories – small, medium and large – which gives an even spread of assets.

The legend below applies to all graphs on this page.

Small Medium Large

Analysis of properties by size

Percentage of properties by size.

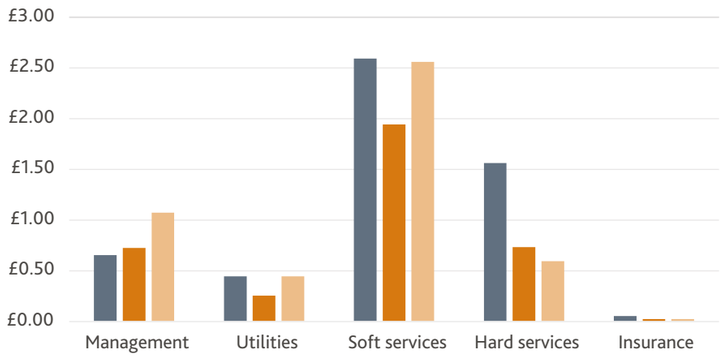


Total costs analysed by size

Median cost per sq. ft. analysed by size.

Cost class analysed by size

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



Observations

- The trend seen at total cost level is similar to that seen in our previous report, where those sites in the 'medium' category have lower total costs on average
- At cost class level soft services is driving this overall trend, with the greatest average costs seen within cleaning and security.

Trend analysis

- It is possible there are economies of scale in the 'medium' category compared to the 'small'
- When looking at larger sites, it is likely that the requirements for the standard of services is higher, based on the type of occupier, therefore leading to higher overall costs.

Building size	Floor area (sq. ft.)
Small	0 – 99,999
Medium	99,999 – 250,000
Large	250,000 and above

Regional analysis

Number of shopping centres	
All data	70

Observations

- Shopping centres in London have the highest total average cost per sq. ft., with this reflected at almost every cost class level. In particular, the cleaning costs for London assets are around 50% higher than sites from other locations
- There is not a significant difference between sites in the 'rest of UK' or 'South' categories.

Trend analysis

- The results follow the expected regional variations with the highest median costs found in London, driven by higher operational and wages costs
- Cleaning costs seem to be particularly affected by this regional trend, due to higher employment costs in the London area.

Regional analysis

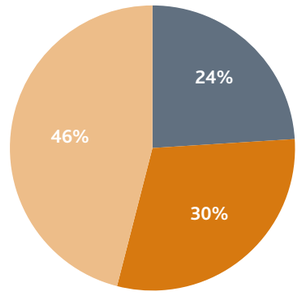
Properties have been mapped to regions as set out in our methodology report. This has been driven by relative sample sizes and an expectation of higher costs to be found in the south and London regions.

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.

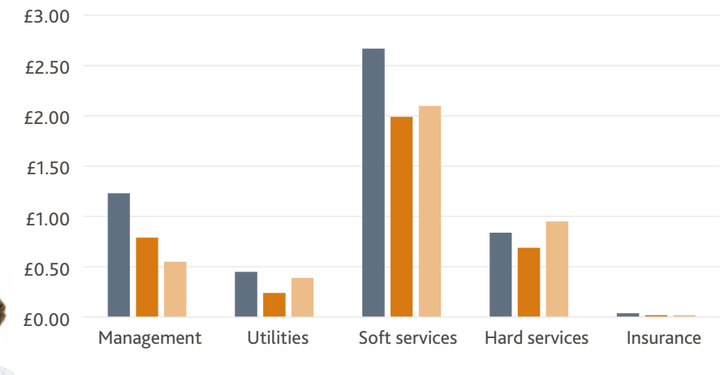


Total costs analysed by region

Median cost per sq. ft. analysed by region.

Cost class analysed by region

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



Number of shopping centres

Comparative data with AC **36**

Total cost review

Three year analysis by EPC rating

Cost classes

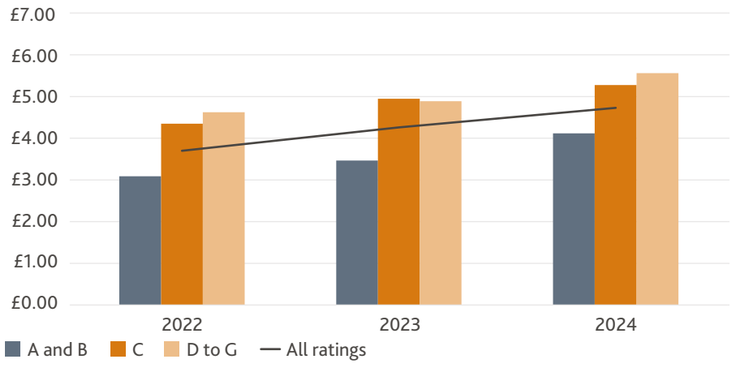
EPC rating group category	A and B			C			D to G		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management	0.64	0.62	0.70	0.68	0.83	0.73	0.98	1.11	1.23
Utilities	0.19	0.30	0.35	0.29	0.39	0.46	0.47	0.66	0.67
Soft services	1.75	1.93	2.27	2.60	2.69	3.11	2.27	2.21	2.55
Hard services	0.44	0.54	0.71	0.69	0.93	0.88	0.77	0.78	0.98
Insurance	0.02	0.02	0.02	0.02	0.03	0.01	0.06	0.05	0.04

Observations

- The overall trend across three years is an increase in total average costs, which is seen across each of the categories
- The 'A and B' category which has the lowest total average cost per sq. ft. in the 2022 data, had the greatest increase in costs across the three years at over 30%.

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

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



Trend analysis

- To allow for comparison, the data set for this analysis is much lower than that in our 'all data' efficiency review, which explains a different pattern in results between the two
- The average cost across all classes has increased, with minimal exceptions, suggesting that the impact of inflation has been pervasive to most rating types.

Number of shopping centres

Comparative data with AC **36**

Total cost review

Three year analysis by size

Observations

- Whilst the overall trend is an increase in costs across the three years, this has been most pronounced in the 'medium' category where there is an increase of 28%, even though this category had the lowest level of fees
- The 'small' category has a much lower increase in the total costs, with the dip in the second year driven by lower mechanical and electrical costs in 2023.

Cost classes

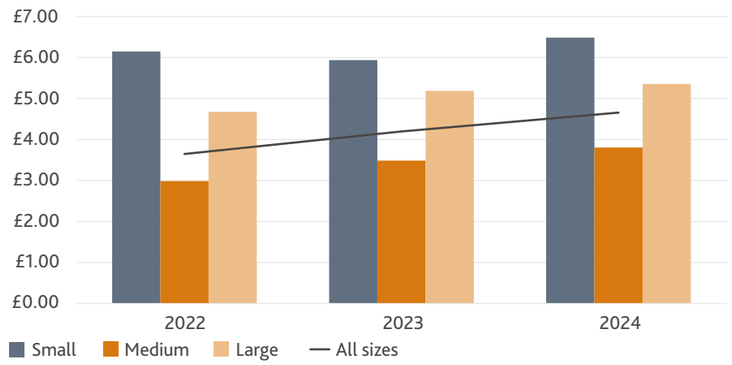
Size group category	Small			Medium			Large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management	0.54	0.59	0.63	0.60	0.73	0.76	1.21	1.21	1.23
Utilities	0.32	0.47	0.64	0.22	0.27	0.27	0.34	0.50	0.47
Soft services	3.64	3.53	3.55	1.68	1.85	2.07	2.53	2.76	2.94
Hard services	1.60	1.28	1.61	0.47	0.61	0.69	0.57	0.69	0.69
Insurance	0.04	0.06	0.05	0.01	0.02	0.03	0.02	0.02	0.02

Trend analysis

- For the 'medium' and 'large' categories the costs have risen the most under soft services, driven by cleaning expenses. This could be a result of both increased employment costs, and increasing requirements as footfall increases after the pandemic period
- For the 'small' category the costs have risen the most under utilities, driven by electricity charges.

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

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



Number of shopping centres

Comparative data **43**

Total cost review

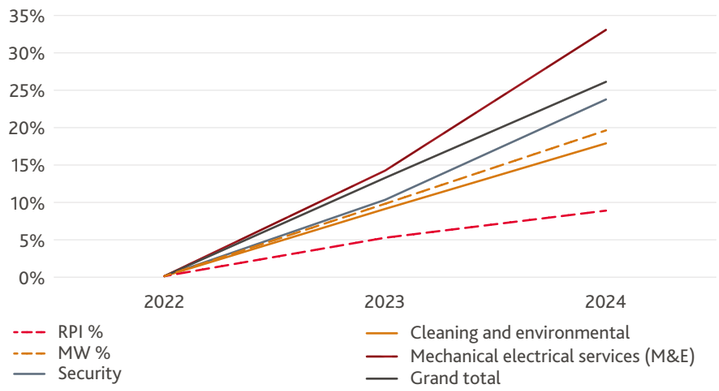
Three year tracked against RPI

Median costs tracked against RPI

The movement of median costs has been plotted below against RPI and national minimum wage (NMW) increases across the three years reviewed. The inflation line represented below is taken from the RPI figure at 31 December 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). NMW increases occur in April, but have been plotted on the subsequent December to allow for easier comparison. The comparative data set has been used, with both open and enclosed shopping centres included to give a broad view across the population.

Median costs tracked against RPI and minimum wage

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



Observations

- Total average costs have increased above the rate of inflation, although it should be noted that in our previous report, the opposite was true
- When compared to increases in the National Minimum Wage (MNW), the trend for the average cleaning and security costs follow a similar trajectory.

Trend analysis

- With the impact of the pandemic on reduced footfall to shopping centres in the years preceding our review, it is likely that there was a greater focus on cost management during previous periods which is now reversing
- Whilst the NMW increases will not be the only factor in the rising costs incurred, it is likely that rising costs to employ staff is a key driver.

Number of shopping centres

Comparative data **43**

Total cost review

Three year analysis of variance to budget

Observations

- The spread of variance of total costs compared to budget is returning towards a normal distribution around 0, after the pandemic period where the majority of total costs analysed were below budget
- However, this trend is more tentative than seen in other sectors, with the upper quartile at 3 to 4% during 2023 and 2024
- Just over half of the population had a variance of 5% or more, either as an underspend or overspend.

Trend analysis

When compared to the other sector types, the analysis suggests that there is a greater pressure for shopping centre service charge costs to be either in line with, or below budget. This is likely to be as a result of the challenging trading conditions retailers have experienced in recent years.

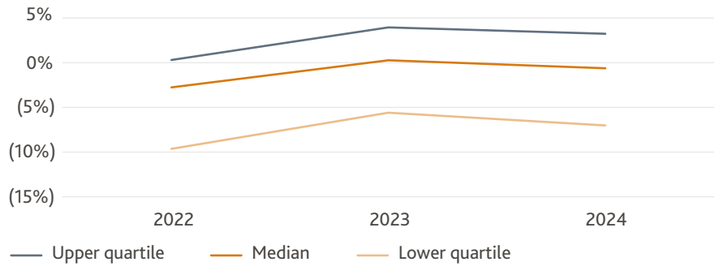
Budget variance

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.



	2022	2023	2024
Upper quartile	0%	4%	3%
Median	(3%)	(0%)	(1%)
Lower quartile	(10%)	(6%)	(7%)

Number of shopping centres

Comparative data with AC **36**

Shopping centres – benchmark cost table

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		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	0.29	0.31	0.36	0.25	0.28	0.30	0.38	0.40	0.45
Accounting fees	0.03	0.04	0.04	0.02	0.02	0.02	0.01	0.01	0.01
Site-management resources	0.15	0.17	0.16	0.28	0.38	0.38	0.79	0.78	0.74
Professional fees	0.07	0.07	0.07	0.05	0.05	0.06	0.03	0.02	0.03
Management total	**0.54**	**0.59**	**0.63**	**0.60**	**0.73**	**0.76**	**1.21**	**1.21**	**1.23**
Utilities									
Electricity	0.18	0.29	0.50	0.18	0.23	0.23	0.27	0.45	0.39
Gas	0.03	0.05	0.04	0.02	0.01	0.02	0.02	0.02	0.03
Fuel oil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water	0.10	0.11	0.08	0.01	0.02	0.01	0.04	0.03	0.04
Utility consultancy	0.01	0.02	0.02	0.01	0.01	0.01	0.01	0.00	0.01
Utilities total	**0.32**	**0.47**	**0.64**	**0.22**	**0.27**	**0.27**	**0.34**	**0.5**	**0.47**
Soft services									
Security	2.43	2.43	2.22	0.82	0.91	1.04	1.04	1.13	1.19
Cleaning and environmental	0.75	0.73	0.91	0.70	0.76	0.84	1.10	1.25	1.36
Landscaping	0.10	0.21	0.22	0.09	0.10	0.11	0.16	0.15	0.16
Marketing and promotions	0.36	0.16	0.20	0.07	0.08	0.08	0.23	0.23	0.23
Soft services total	**3.64**	**3.53**	**3.55**	**1.68**	**1.85**	**2.07**	**2.53**	**2.76**	**2.94**
Hard services									
Mechanical and electrical services (M&E)	1.03	0.65	0.74	0.22	0.27	0.37	0.34	0.38	0.37
Lifts and escalators	0.21	0.14	0.35	0.06	0.06	0.08	0.07	0.09	0.07
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	0.36	0.49	0.52	0.19	0.28	0.24	0.15	0.21	0.24
Hard services total	**1.60**	**1.28**	**1.61**	**0.47**	**0.61**	**0.69**	**0.57**	**0.69**	**0.69**
Insurance									
Engineering insurance	0.02	0.03	0.03	0.01	0.01	0.02	0.02	0.01	0.01
All-risks insurance cover	0.02	0.03	0.02	0.00	0.01	0.01	0.01	0.01	0.01
Insurance total	**0.04**	**0.06**	**0.05**	**0.01**	**0.02**	**0.03**	**0.03**	**0.02**	**0.02**
Grand total	**6.14**	**5.93**	**6.48**	**2.98**	**3.48**	**3.82**	**4.68**	**5.18**	**5.35**

Number of shopping centres

Comparative data with AC **36**

Shopping centres – benchmark cost table

Analysis by size

Percentage of median values analysed by size

Percentage value for each cost category and class as a proportion of overall costs.

Size of building	Small			Medium			Large		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	£/sq. ft.			£/sq. ft.			£/sq. ft.		
Management									
Management fees	4.72%	5.23%	5.56%	8.39%	8.05%	7.85%	8.12%	7.72%	8.41%
Accounting fees	0.49%	0.67%	0.62%	0.67%	0.57%	0.52%	0.21%	0.19%	0.19%
Site-management resources	2.44%	2.87%	2.47%	9.40%	10.92%	9.95%	16.88%	15.06%	13.83%
Professional fees	1.14%	1.18%	1.08%	1.68%	1.44%	1.57%	0.64%	0.39%	0.56%
Management total	**8.79%**	**9.95%**	**9.73%**	**20.14%**	**20.98%**	**19.89%**	**25.85%**	**23.36%**	**22.99%**
Utilities									
Electricity	2.93%	4.89%	7.72%	6.04%	6.61%	6.02%	5.77%	8.69%	7.29%
Gas	0.49%	0.84%	0.62%	0.67%	0.29%	0.52%	0.43%	0.39%	0.56%
Fuel oil	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Water	1.63%	1.85%	1.23%	0.34%	0.57%	0.26%	0.85%	0.58%	0.75%
Utility consultancy	0.16%	0.34%	0.31%	0.34%	0.29%	0.26%	0.21%	0.00%	0.19%
Utilities total	**5.21%**	**7.92%**	**9.88%**	**7.39%**	**7.76%**	**7.06%**	**7.26%**	**9.66%**	**8.79%**
Soft services									
Security	39.58%	40.98%	34.25%	27.51%	26.14%	27.24%	22.23%	21.81%	22.23%
Cleaning and environmental	12.21%	12.31%	14.04%	23.48%	21.84%	22.00%	23.51%	24.13%	25.41%
Landscaping	1.63%	3.54%	3.40%	3.02%	2.87%	2.88%	3.42%	2.90%	2.99%
Marketing and promotions	5.86%	2.70%	3.09%	2.35%	2.30%	2.09%	4.91%	4.44%	4.30%
Soft services total	**59.28%**	**59.53%**	**54.78%**	**56.36%**	**53.15%**	**54.21%**	**54.07%**	**53.28%**	**54.93%**
Hard services									
Mechanical and electrical services (M&E)	16.78%	10.96%	11.42%	7.38%	7.76%	9.69%	7.26%	7.34%	6.92%
Lifts and escalators	3.42%	2.36%	5.40%	2.01%	1.72%	2.09%	1.50%	1.74%	1.31%
Suspended-access equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.21%	0.19%	0.19%
Fabric repairs and maintenance	5.86%	8.26%	8.02%	6.38%	8.05%	6.28%	3.21%	4.05%	4.49%
Hard services total	**26.06%**	**21.58%**	**24.84%**	**15.77%**	**17.53%**	**18.06%**	**12.18%**	**13.32%**	**12.91%**
Insurance									
Engineering insurance	0.33%	0.51%	0.46%	0.34%	0.29%	0.52%	0.43%	0.19%	0.19%
All-risks insurance cover	0.33%	0.51%	0.31%	0.00%	0.29%	0.26%	0.21%	0.19%	0.19%
Insurance total	**0.66%**	**1.02%**	**0.77%**	**0.34%**	**0.58%**	**0.78%**	**0.64%**	**0.38%**	**0.38%**
Grand total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Further information and contacts

Now in our third year of publication, PropCost has evolved each year, now covering four asset types. The foundation for our data analysis is our platform eMOS (electronic management of service charges) which captures service charge data as and when we review the accounts. We will continue to adapt the analysis we bring, and work with our collaborators to identify analysis that is meaningful to the sector.

Due to the increased scope of our report, you can now find our methodology and data tables as separate documents on our webpage from here.

It has been a fantastic achievement to grow PropCost this year with a 100% increase in our dataset, only made possible by our contributors and our specialist team at BDO. We have listened to feedback to improve this year's report and I truly look forward to engaging with our readers again this year as we continue to evolve.

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