

PropCost 2026

Methodology





Contents

Methodology

▶ Approach & dataset	3
▶ Efficiency & sustainability	8
▶ Size	9
▶ Region	10
▶ Inflation & budget variance	12

Approach and dataset

Approach - all data

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



Office data

Most modern buildings will have air conditioning with a significant impact on energy usage.

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



Shopping centre data

For our analysis, we have considered Enclosed vs Open styles of shopping centres as these can have larger implications for energy usage.



Retail park data

As retail parks are generally a collection of units spread over a large area, for consideration of energy efficiency ratings, we have selected the unit carrying the largest floor area to set the benchmark for the site.



Industrial park data

As industrial parks are generally a collection of units spread over a large area, for consideration of energy efficiency ratings, we have selected the unit carrying the largest floor area to set the benchmark for the site.



Approach and dataset

Datasets

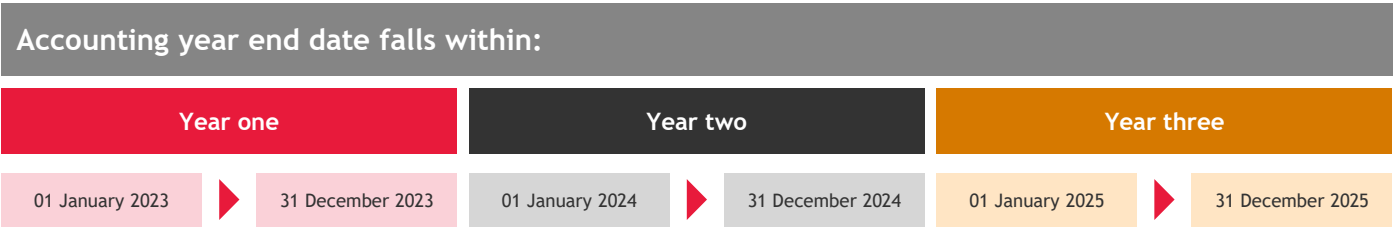
The data has been classified in two datasets:

‘Comparative’ and ‘All data’

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

The accounting year-end date has been used to determine which ‘year’ expenditure data is assigned to as follows:

- ▶ **2023:** Year-ends which fall within the period 1 January 2023 to 31 December 2023
- ▶ **2024:** Year-ends which fall within the period 1 January 2024 to 31 December 2024
- ▶ **2025:** Year-ends which fall within the period 1 January 2025 to 31 December 2025



Approach and dataset

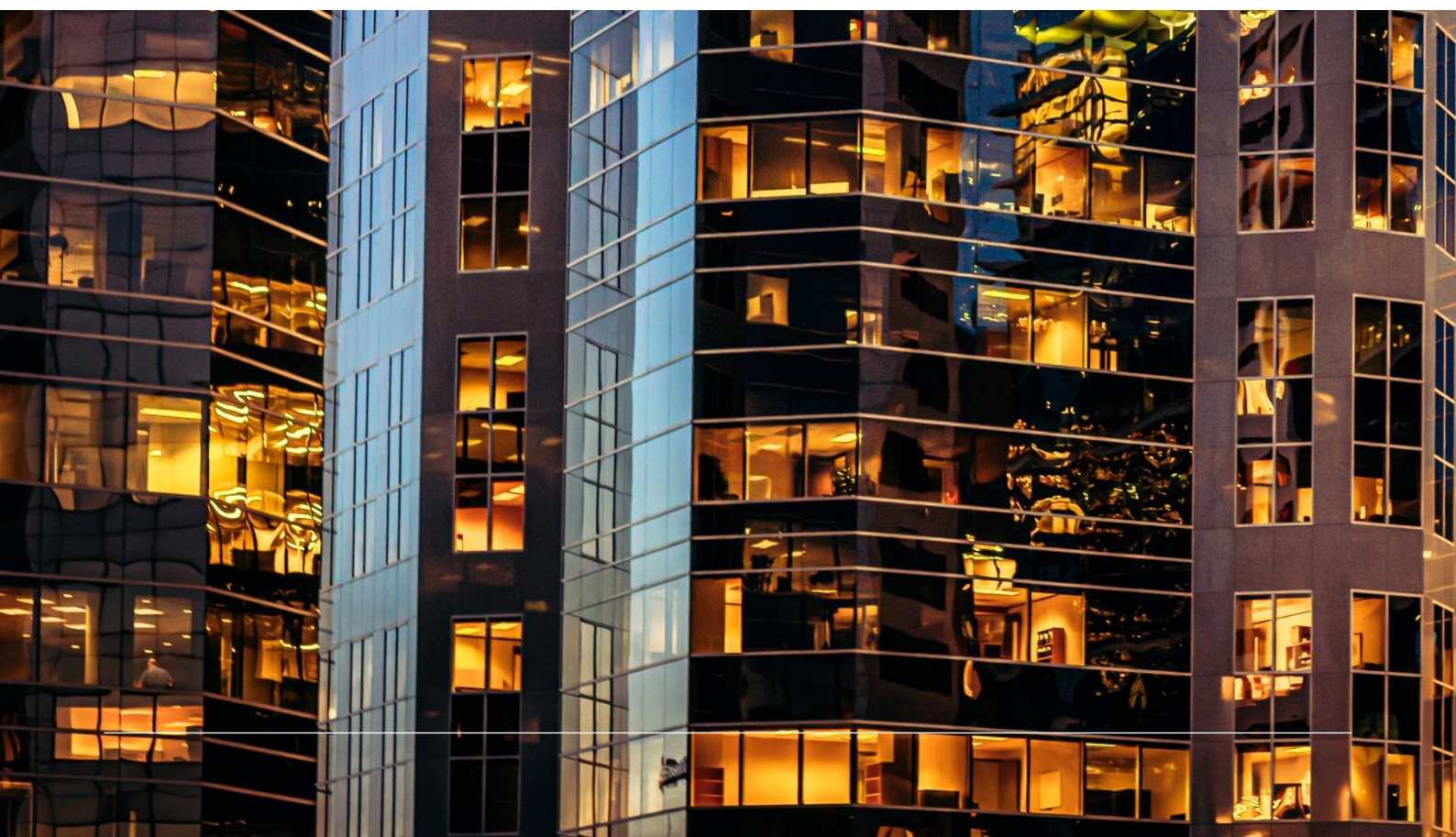
Cost per square foot calculations

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

Worked example 1 - cost per square foot

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

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



Approach and dataset

Use of median value

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

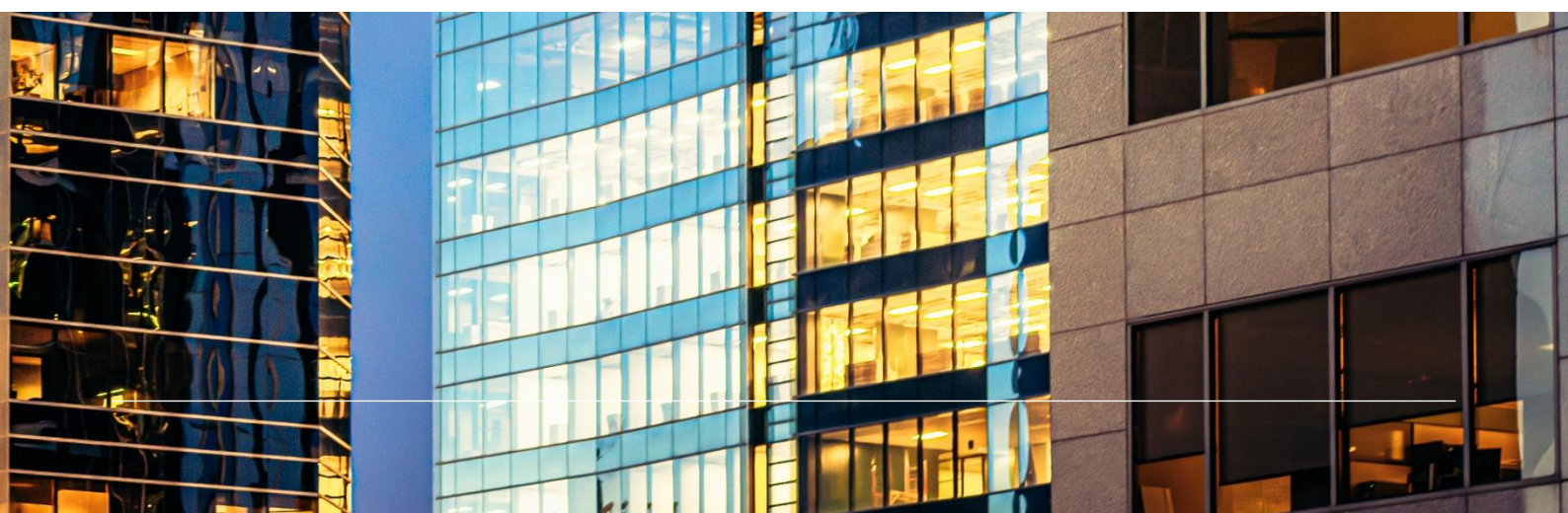
Worked example 2 - median calculation

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

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

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

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



Approach and dataset

Worked example 3 - percentage tables

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

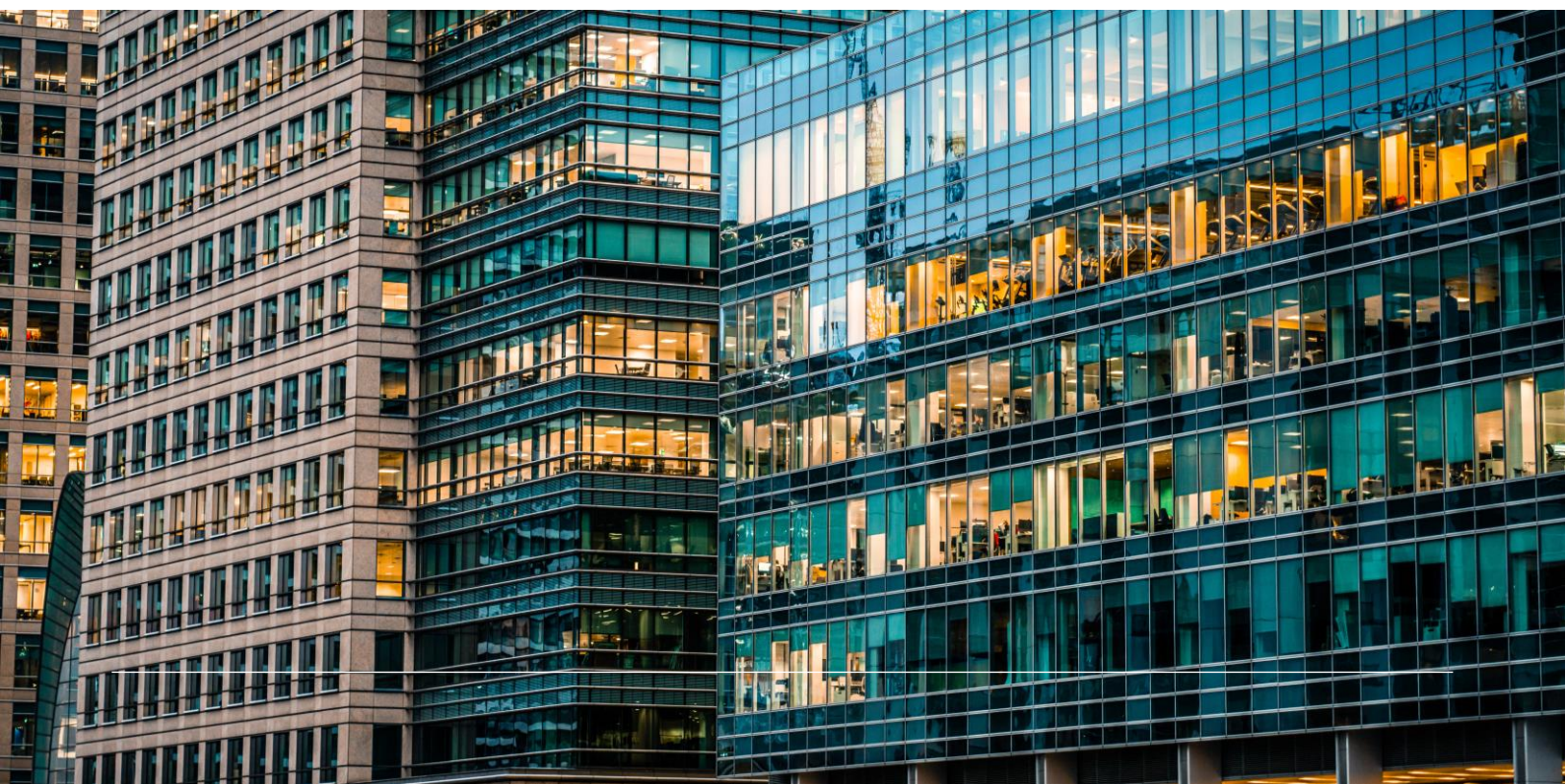
Cost class: Soft services	Median cost per sq. ft.	%
Security	£1.26	15.3%
Cleaning & environmental	£1.12	13.6%
Landscaping	£0.05	0.6%
Marketing & promotions	-	0.0%
Soft services total	£2.43	29.5%
Grand total	£8.22	100.0%

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



Sources

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



Efficiency and sustainability

Efficiency

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

Sustainability

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

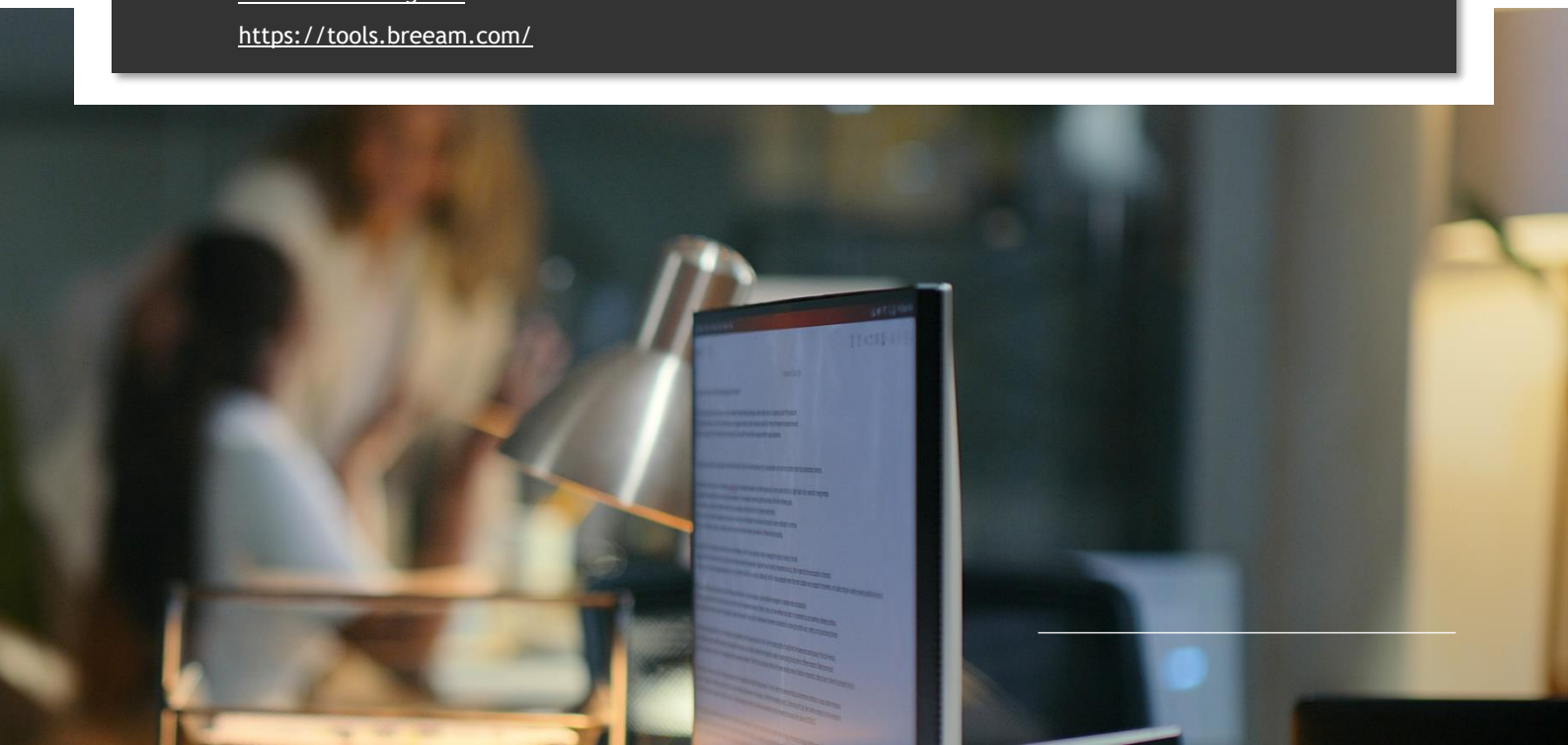


Sources

[Find an Energy Certificate - GOV.UK](https://www.gov.uk/find-energy-certificate)

[Scottish EPC Register](https://www.scotland.gov.uk/Topics/energy/energy-efficiency/epc/register)

<https://tools.breeam.com/>



Size

Size

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

Offices

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

Shopping centres

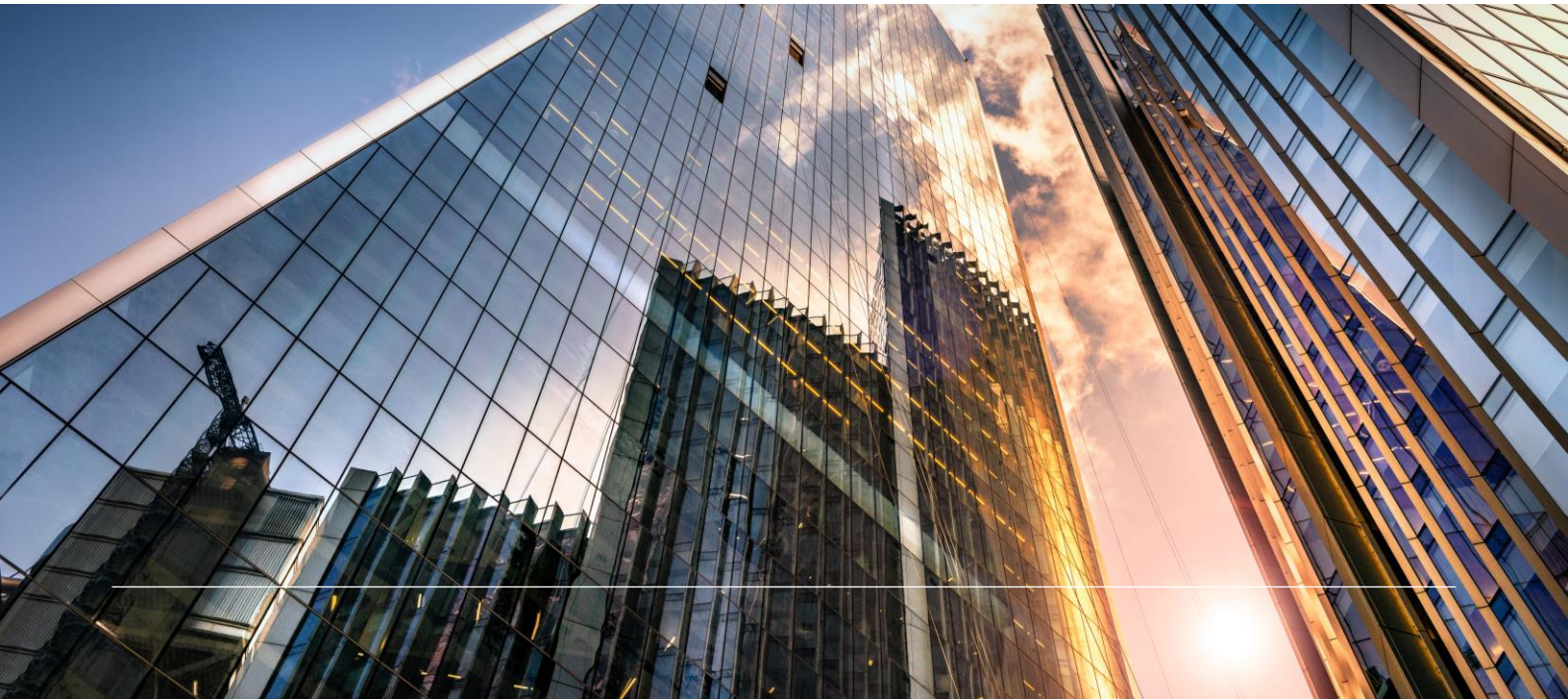
Size	Floor area (Sq. ft.)
Small	0 to 99,999
Medium	100,000 to 249,999
Large	250,000 and above

Retail parks

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

Industrial Parks

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



Region

Postcodes were sourced for each property based on their address. These were mapped to regions as set out below, with a broader set of regions used for office and industrial parks due to the larger amount of data available.

Offices and Industrial

Central London

E14, EC, SW1, W1, WC

Greater London

(excluding above specific areas)

BR, CR, DA, E, EN, HA, IG, KT, N, NW, RM, SE, SW, TW, UB, W, WD

South West

BA, BH, BS, EX, GL, PL, SN, SP, TA, TQ, TR

South East

AL, BN, CM, CT, GU, HP, LU, ME, MK, OX, PO, RG, RH, SG, SL, SO, SS, TN

Scotland

AB, DD, DG, EH, FK, G, I, KA, KY

North

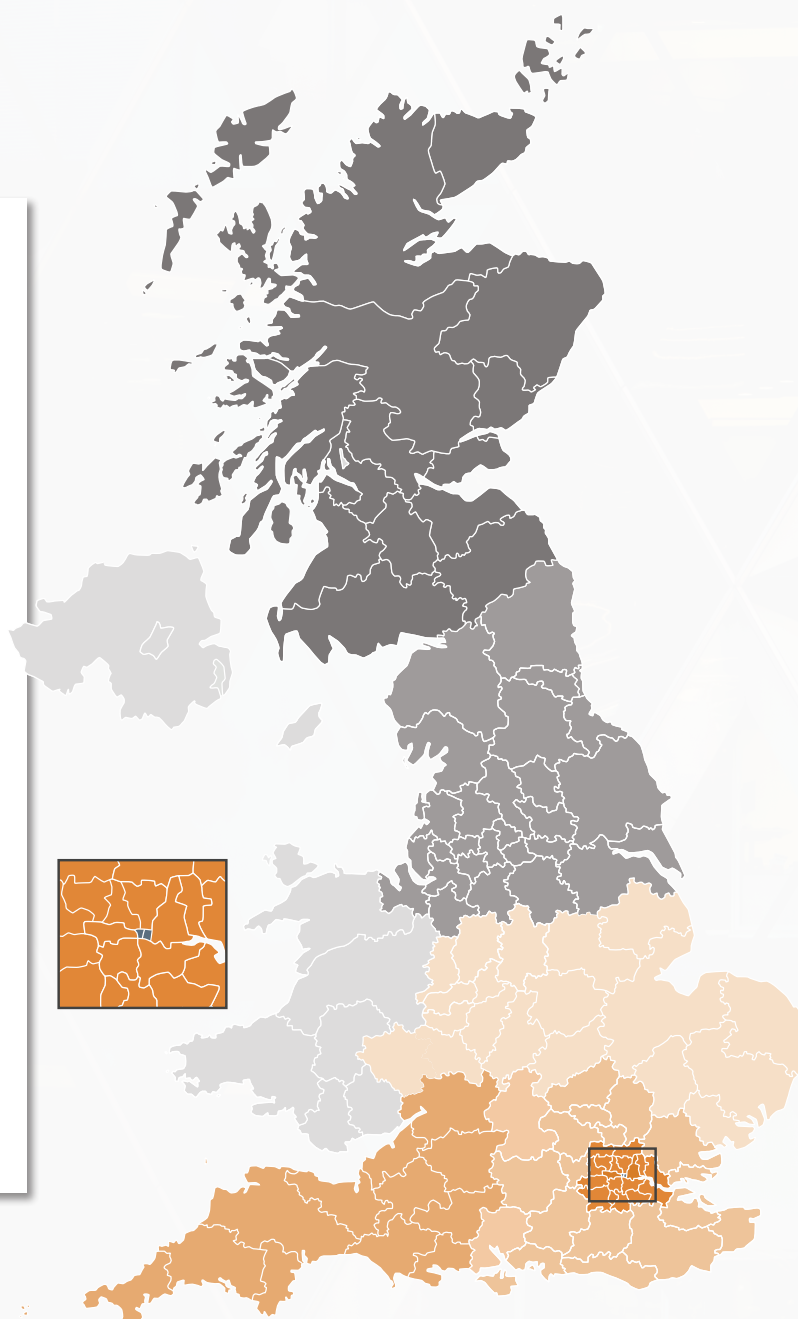
BB, BD, BL, CA, CH, CW, DN, HD, HU, HX, L, LA, LS, M, NE, OL, PR, S, SK, TS, WA, WF, YO

Midlands

B, CB, CO, CV, DE, DY, HR, IP, LE, LN, NG, NN, NR, PE, ST, TF, WR, WS, WV

Rest of the UK

Includes all areas not included above



Approach to regions

Regions have been identified based on giving a reasonable sample size to give meaningful results. We have also considered regional variations in the cost base for service charges, particularly linked with wage costs, this means that rather than 'bundling' areas such as Northern Ireland and Wales with other regions, they have been excluded from the regional analysis until we have enough data to report meaningfully for these regions. Offices and industrial parks have larger data sets and broader regional distributions, so therefore have 7 and 6 regions reported respectively.

For retail parks and shopping centres we have only reported on three regions, with a view that these results will be more meaningful. Note that if regions are excluded from our regional analysis, then it does not mean that they are excluded from our analysis in any other parts of our report.

Shopping Centres and Retail Parks

London

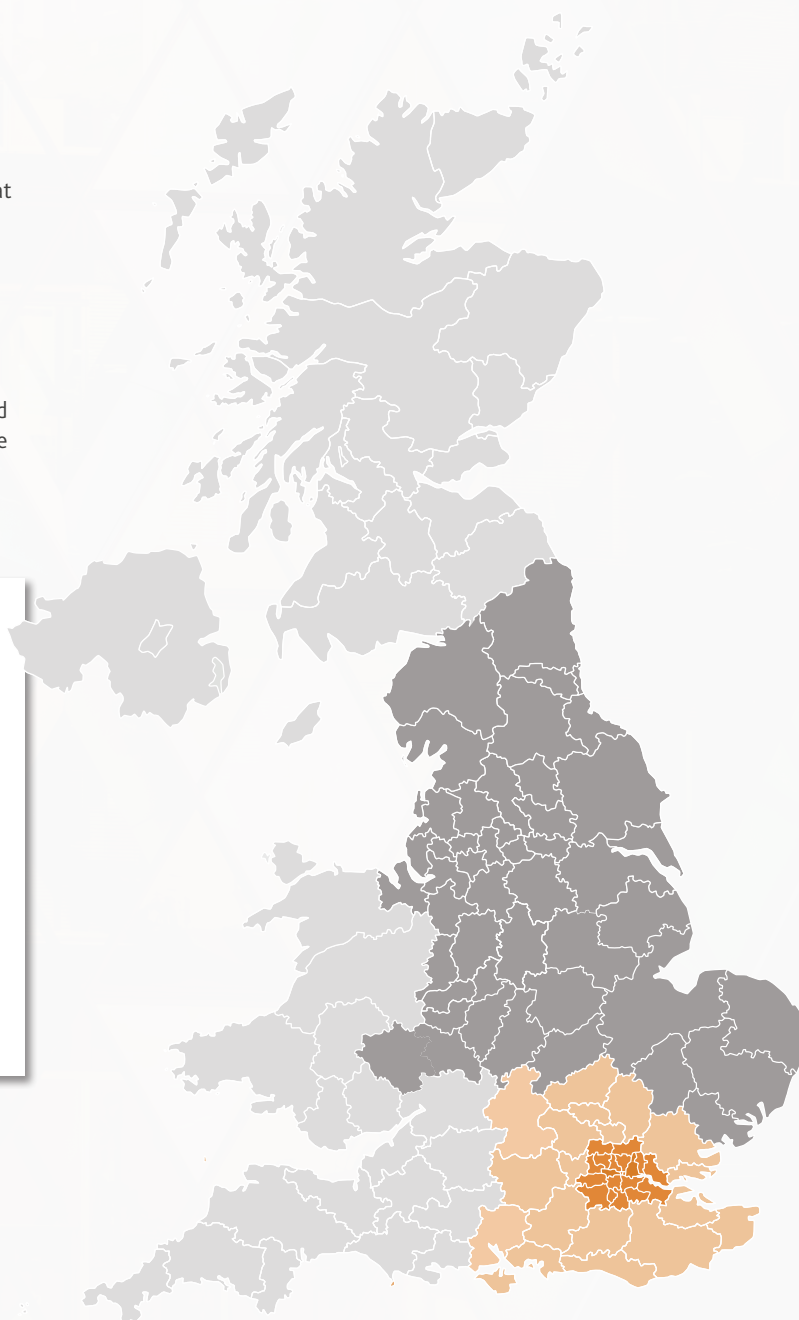
BR, CR, DA, E, EC, EN, HA, IG, KT, N, NW, RM, SE, SW, TW, UB, W, WC, WD

South East

AL, BN, CM, CT, GU, HP, LU, ME, MK, OX, PO, RG, RH, SG, SL, SO, SS, TN

North and Midlands

B, BB, BD, BL, CA, CB, CH, CO, CV, CW, DE, DN, DY, HD, HR, HU, HX, IP, L, LA, LE, LN, LS, M, NE, NG, NN, NR, OL, PE, PR, S, SK, ST, TF, TS, WA, WF, WR, WS, WV, YO



Inflation & budget variance

Inflation

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

Our measure of inflation has been taken from the Office for National Statistics (ONS) long run dataset tracking inflation and has been rebased to 31 December of our Year 1 for comparison with our data. The inflation line is taken from the CPI 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). We have rebased each of our line items to compare relative increases or decreases in costs across the years.

National Minimum Wage

Our measure of minimum wage has been taken from the UK government website for national minimum wage rates. Minimum wage rates change 1 April every year and frequently change age bandings. Therefore, the oldest grouping has been selected each year. As rates are set annually and are offset from calendar year, minimum wages has been rebased to what it would have been 31 December of our Year 1, assuming a straight-line basis between years.



Sources

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

<https://www.gov.uk/national-minimum-wage-rates>

Budget variance

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

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

Worked example 4 - Variance to budget

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

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

Define key terms

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

FOR MORE INFORMATION:

Chris Carle

Partner, BDO LLP

Head of Service Charge Accounting

+44 (0) 117 930 1500

chris.carle@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © August 2026 BDO LLP. All rights reserved.
Published in the UK.

www.bdo.co.uk