LANDLORD REFURBISHMENT COST GUIDE

PROJECT MANAGEMENT & COST CONSULTANCY

JULY 2022

COST BENCHMARKING

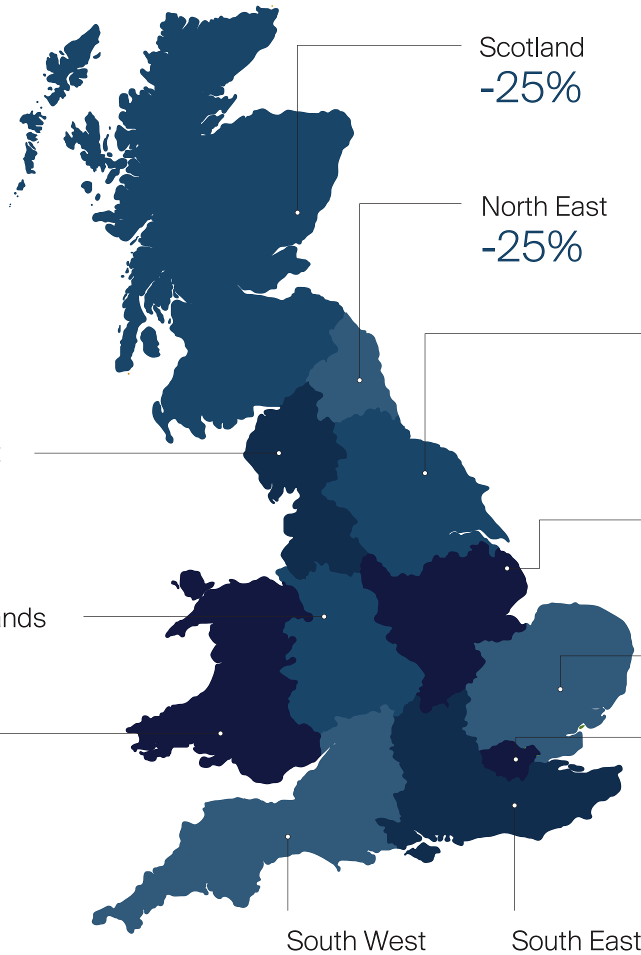
Note: based on London pricing, re-base as necessary

Construction Spend on GIA (excluding Fees and VAT)

Office Floors	£125ft²	£175ft²	£175ft²+
Strip out of existing fit	£6	£6	£6
Raised access floor	£5	£5	£5
Suspended ceiling / soffit treatment	£8	£8	£8
Decorations	£4	£4	£4
Joinery	£4	£4	£4
LED lighting, power & fire alarms	£20	£20	£20
Air-conditioning & mechanical ventilation	£33	£33	£33
Common Parts			
Refurbishment of WC's	£20	£20	£20
Refurbishment of Reception	£10	£10	£10
Staircases and lift lobby refurbishment	£5	£5	£5
Remedial works to building fabric (windows & roof)	£5	£5	£5
Amenity Space (showers, bike racks & changing)	£5	£5	£5
Main Plant			
Major overhaul / replacement of lifts	x	£8	£8
Air con and ventilation plant	x	£17	£17
Main electrical plant (distribution boards, main switchgear)	x	£12	£12
Security (access control and CCTV)	x	£2	£2
Main fire alarm panel and infrastructure	x	£5	£5
Building Management System (including 'smart' enablement)	x	£5	£5
Electric Boilers	x	£3	£3
Additional Options			
Relocations / alterations to core			£25-£50
Replacement of facades / windows			£50-£100
Additional massing / terraces			£300-£400

REGIONAL VARIANCE

Using Central London as a 'base' the map featured details indicative cost differences between regions.



P & B C Landlord Cost Guide 2022

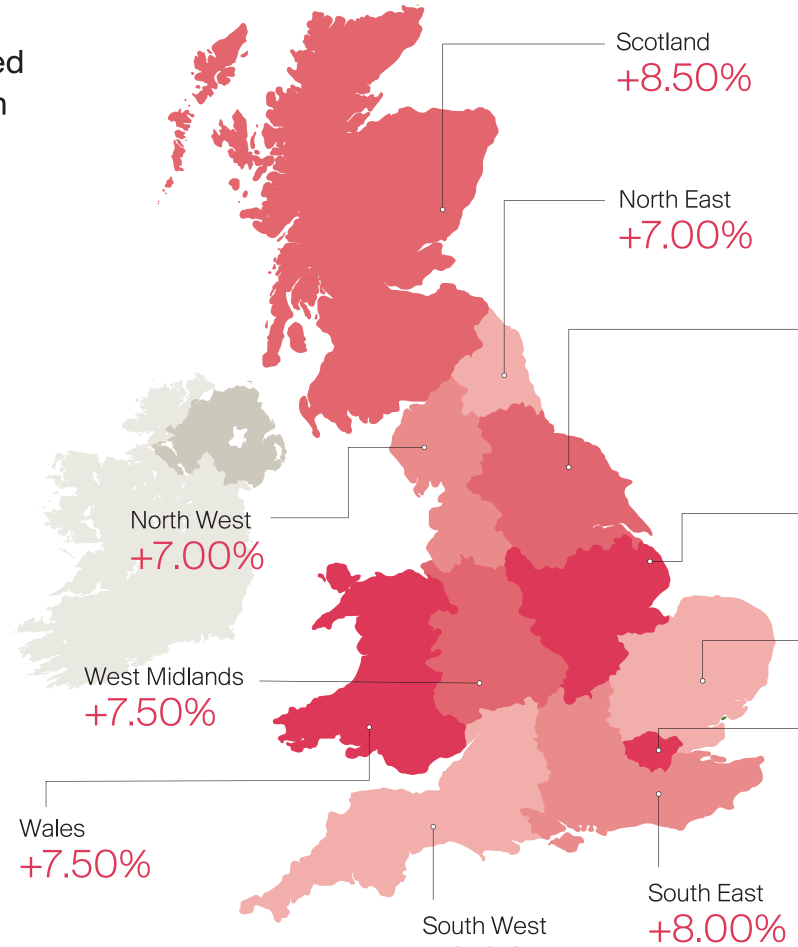
MARKET UPDATE

In the last 12-15 months the UK construction industry has seen unprecedented levels of tender price inflation. Covid-19 has caused extensive manufacturing delays in many areas, which has placed pressure the supply of many materials and products. This has caused extended lead in periods and some substantial price increases. The BCIS 'all work' Material Price Index rose by 21.5% in 2021, which is their highest sustained increase on record. 'BREXIT' has also contributed by reducing the labour pool and adding delays and additional charges on many imported products. This, combined with 'pent up' demand due to many projects being 'held' until an end to Covid-19 was in sight, has produced the 'perfect storm' over 2021 and into 2022, which has made budgeting for and completed construction project, extremely challenging. Currently, the conflict in the Ukraine and increasing energy prices mean that we cannot foresee a short term change, although there are starting to be some indications that we may be starting to reach an inflection point.

Contractual negotiations have also become more challenging as Main Contractors look to insert price fluctuation clauses into larger projects, mainly driven by the supply chain who are often only holding prices for a few weeks (often days). This provides Clients with reduced cost certainty on projects that may be reaching their viability tipping point anyway.

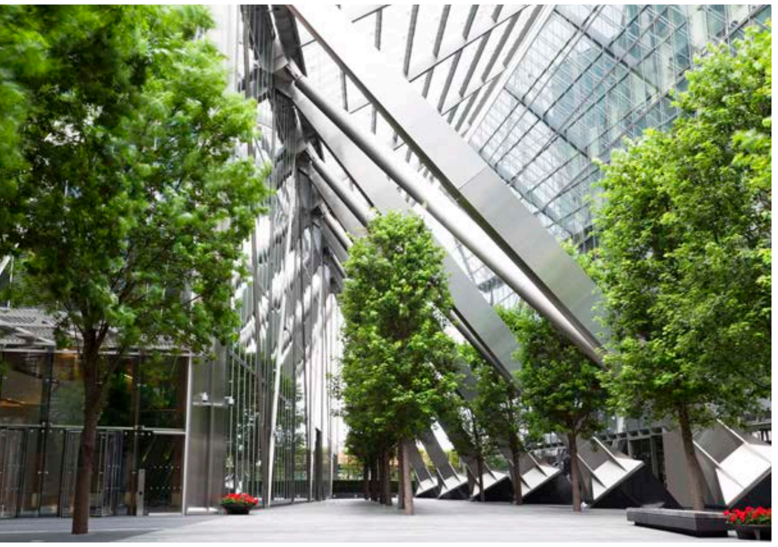
REGIONAL TENDER PRICE INFLATION

The map featured here details projected tender price inflation for 2022



	2021	2022	2023	2024	2025
London	9.10%	8.50%	3.50%	3.50%	3.50%
Midlands	7.50%	7.00%	3.50%	3.25%	3.00%
West Midlands	7.75%	7.50%	3.50%	3.25%	3.00%
North East	7.50%	7.00%	3.00%	2.50%	2.00%
North West	7.50%	7.00%	3.50%	3.25%	3.00%
Scotland	9.00%	8.50%	3.00%	2.50%	2.00%
South East	8.00%	8.00%	3.50%	3.00%	2.50%
South West	8.00%	8.00%	3.50%	3.00%	3.00%
Wales	8.00%	7.50%	2.00%	2.00%	2.00%
Yorkshire and the Humberside	7.50%	7.00%	3.25%	3.00%	3.00%
East Anglia	8.00%	8.00%	3.50%	3.00%	2.50%

SUSTAINABILITY AND ESG



Through the 2015 ‘Paris Agreement’, world governments committed to curbing global temperature rise. The UK and particularly London, have embraced this philosophy and through policy, have vowed to ensure that all new buildings are ‘net zero carbon’ by 2030. Most commercial landlords in the UK have already implemented plans to reduce their carbon ‘footprint’ and now, major tenants are also recognising their corporate responsibility to contribute, so want to be letting and affiliated with the commercial buildings and landlords that are making the biggest strides in cutting emissions. This has meant, that for the first time, landlords are seeing demand and rents affected by the sustainability credentials of commercial buildings.

With so many sustainability accreditations inexistence, it is even more difficult than ever to select the most appropriate ones. On larger projects, there are sometimes a dozen possible awards that it may be beneficial to target (Ska, Well, Fitwel, BREEAM, LEED, Wired, Design for Performance, Air Rated, and the Cycling Score Certification). With these accreditations inevitably comes cost. From the concept stage onwards there are additional specialist consultants that need to be brought on board that all charge a fee for their advice and the consequential accreditation. Once a specific scheme is implemented, there is often additional costs that are required in order to bring the scheme up to the next ‘level’ of accreditation. Things such as PV panels, rainwater harvesting, ground source heat pumps, ‘green’ walls and roofs and biomass boilers can all save energy and increase the buildings sustainability credentials, but can involve substantial capital expenditure ‘over and above’ the levels traditionally expended on existing ‘refurbished’ stock.

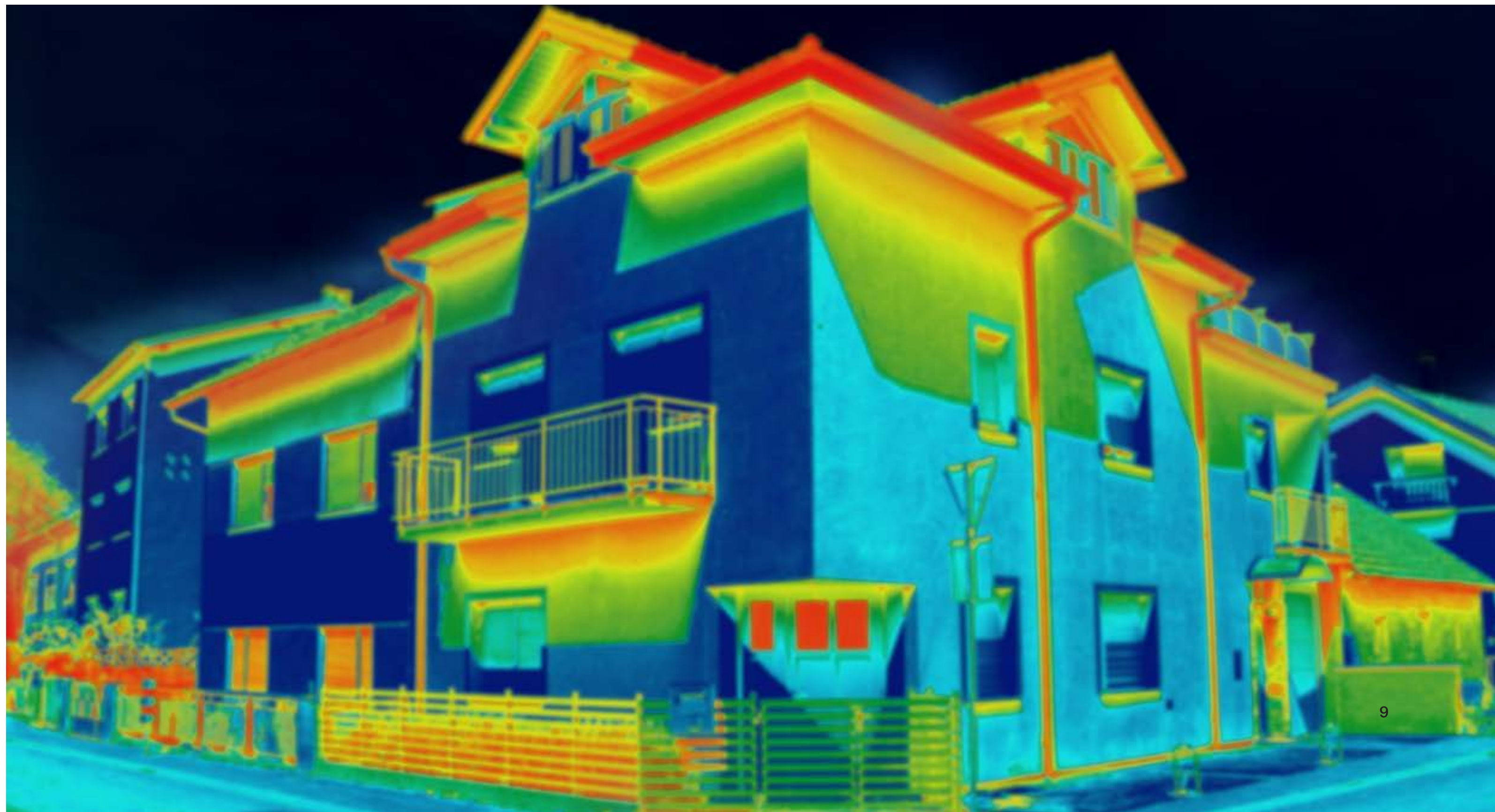
P & B C Landlord Cost Guide 2022

EPC RATING

From April 2018 the ‘Minimum Energy Efficiency Standards’ were introduced, which meant that all commercial properties had to possess an EPC rating of ‘E’ or better to permit them to be ‘let’. Ratings of ‘F’ and ‘G’ were no longer permitted. Existing leases cannot continue beyond April 2023 without an EPC rating of ‘E’ or better. In addition, the Energy White Paper, published by HM Government on 14th December 2020, reaffirms their intention to ‘tighten energy standards’ for the commercial and industrial properties by making the minimum EPC Band requirement a ‘C’ by 2027 and ‘B’ by 2030, where ‘cost-effective’.

This has meant that prospective tenants who are looking to sign a 10 year plus lease on a building or any lease on a building with an EPC rating of ‘F’ or higher, must consider the consequence of landlord EPC upgrades on any potential building. Tenants are understandably nervous about the noise and disruption impact of significant works such as glazing/ cladding replacement and main plant replacement when they are insitu. Another concern is that landlords may look to ‘pass on’ some of these upgrade cost through the service charge. This has caused many building owners to look at undertaking the works necessary to improve their EPC rating now, or as soon as the building is next significantly vacant.

EPC ratings are improved by enhancing energy performance, examples of possible ways to do this to an existing building are upgrade of windows to double glazing (or better), upgrade of roof (performance of covering and insulation), improvements to wall insulation, upgrade of main mechanical plant (boilers, air handling units, chillers etc) to more efficient alternatives and more energy efficient lighting and controls. All of these enhancements may save the landlord money on energy consumption in the longer term, but can substantially increase capital expenditure in the short term.



YOUR CONTACTS

Your cost consultancy contacts

Paul Prior
Head of Cost Consultancy
+44 7468 728 011
paul.prior@knightfrank.com

Robert King
Partner
+44 7825 780 782
robert.king@knightfrank.com

Toby Badcock
Partner
+44 7814 890 732
toby.badcock@knightfrank.com

Sam Ley
Associate
+44 7581 014 001
samuel.ley@knightfrank.com

Craig Frost
Head of Project Management
+44 7919 890 861
craig.frost@knightfrank.com

Charles Ingram Evans
Head of Project & Building Consultancy
+44 7811 183 538
charles.ingramevans@knightfrank.com