



OCCUPIER
FIT OUT
COST GUIDE

COST CONSULTANCY

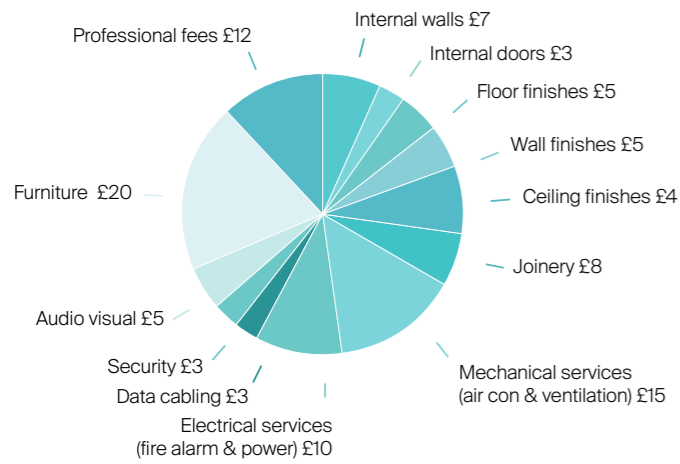
SPRING 2023

COST BENCHMARKING

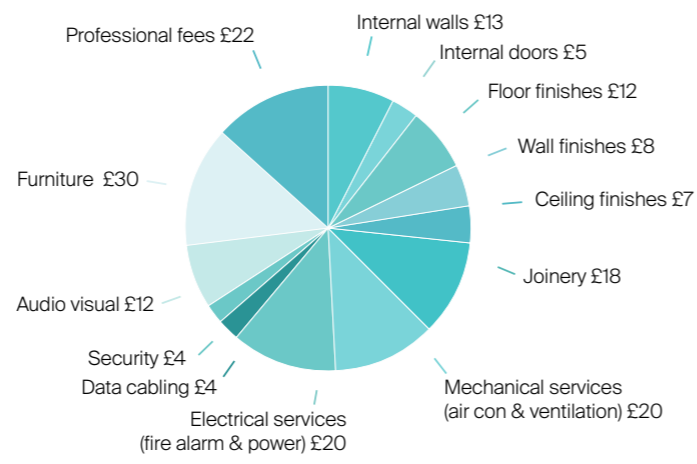
REGIONAL VARIANCE

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

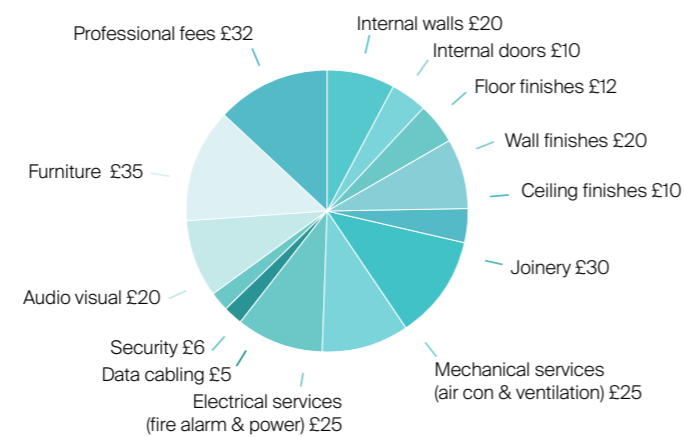
£100ft² (LOW)



£175ft² (MEDIUM)

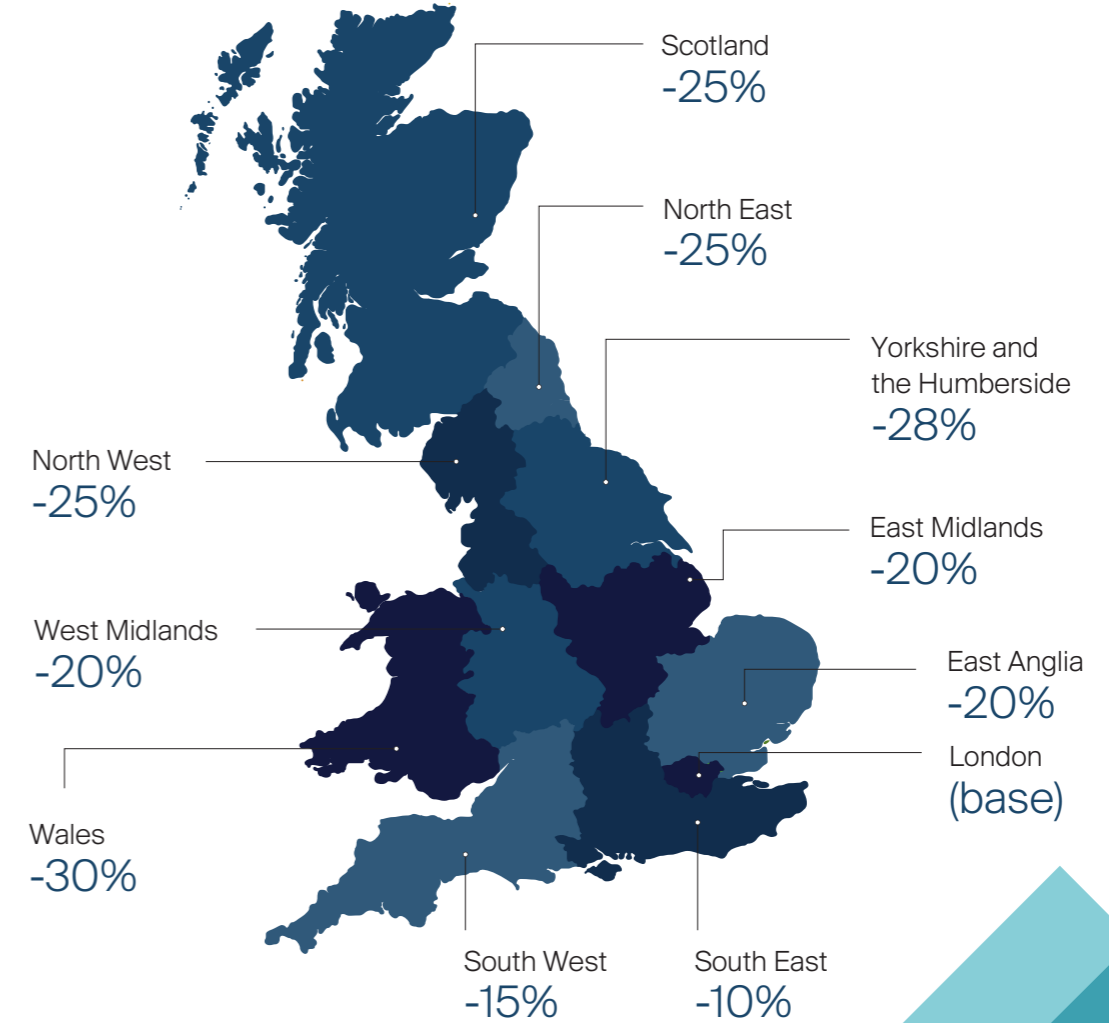


£250ft²+ (HIGH)



Fit Out Costs	£100ft ² (LOW)	£175ft ² (MEDIUM)	£250ft ² + (HIGH)
Internal walls	£7	£13	£20
Internal doors	£3	£5	£10
Floor finishes	£5	£12	£12
Wall finishes	£5	£8	£20
Ceiling finishes	£4	£7	£10
Joinery	£8	£18	£30
Mechanical services (air con & ventilation)	£15	£20	£25
Electrical services (fire alarm & power)	£10	£20	£25
Data cabling	£3	£4	£5
Security	£3	£4	£6
Audio visual	£5	£12	£20
Furniture	£20	£30	£35
Professional fees	£12	£22	£32

Note: Main contractor preliminaries and OH&P included in rates



SPECIFICATION OF WORKS

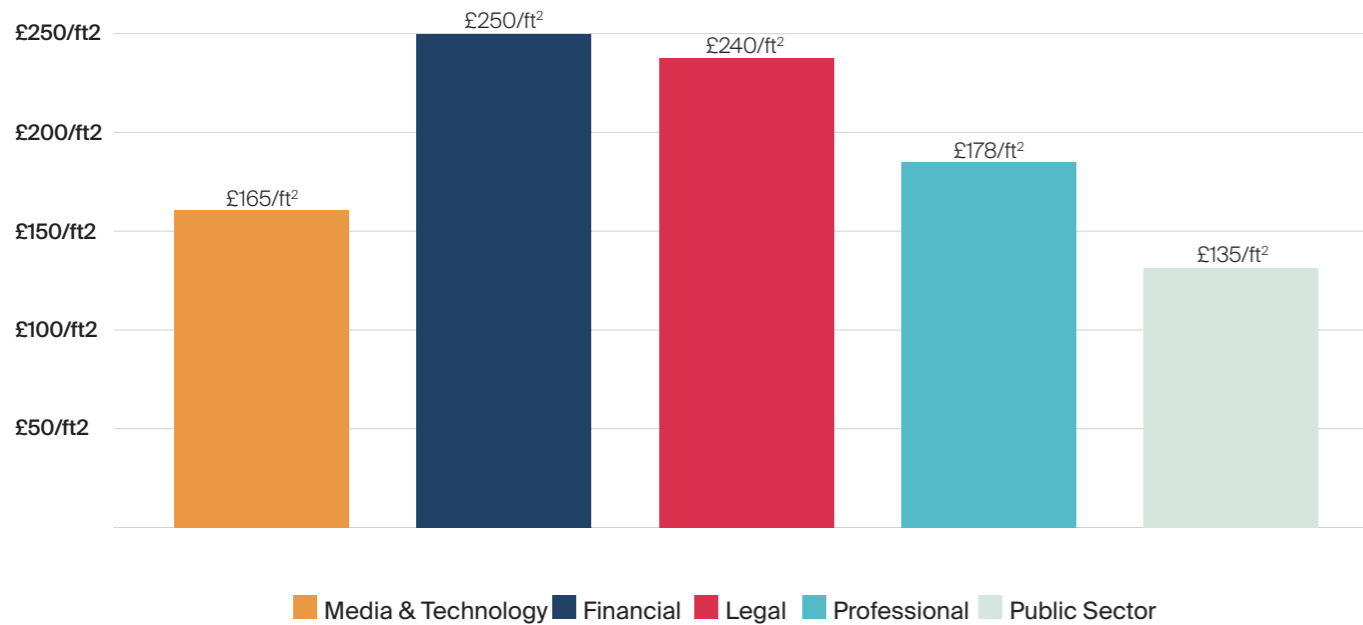
Construction	Furniture	Audio Visual	Professional Fees
LOW			
Predominantly 'open plan'	Desk is fixed	Principally included in client facing meeting rooms	Project management / Contract Admin
Base build lighting retained	Standard materials/entry level quality	Presentation only	Cost consultancy
Minimal amendments to base build mechanical services	Chair has limited functionality	No integrated systems (eg Crestron controls, lighting and blinds integration)	Mechanical and electrical consultancy
'Basic' finishes (carpets & paint)	No integrated cable management		Architect
Low level acoustics	No 'pods'		Building Control
Entry level furniture			
Minimal resilience			
Basic AV			
MEDIUM			
Meeting rooms but no / few offices	Increased desk function, entry level sit/stand possible	AV provisions to internal and client meeting rooms	Project management / Contract Admin
Some amendments to base build mechanical services	Increased chair function	Video conferencing to client facing meeting rooms	Cost consultancy
Upgrade of lighting and ceiling to 'front of house'	Integrated cable management	AV provisions throughout demise to support collaboration	Mechanical and electrical consultancy
High quality finishes to 'front of house'	Nominal inclusion of ancillary loose furniture - mainly to facilitate collaborative working		Architect
High level acoustics to 'front of house'	Lockers/ pedestals		Structural engineer
Some resilience	Mid-level specification finish for meeting room tables		Acoustician
Mid-range furniture			Sustainability consultant
Mid-level AV			Building Control

Construction	Furniture	Audio Visual	Professional Fees
HIGH			
May be cellular	Sit / stand desking	AV provisions to internal and client meeting rooms	Project management
Update of base build services to all areas	Premium materials	Room booking systems	Cost consultancy
Update of lighting and ceiling to 'front of house' and collaboration areas	Chair has high functionality for ergonomics	Video conferencing to all meeting rooms	Mechanical and electrical consultancy
High quality finishes to 'front of house' and collaboration areas	Integrated cable management	AV to some cellular offices	Architect
High level of resilience	Lockers integrated with security system	AV provisions throughout demise to support collaboration	Structural engineer
Bespoke items - feature staircase, catering kitchen etc	Integration of ancillary loose furniture i.e. acoustic framery pods / furniture facilitating collaborative working e.g booths and the like	Integrated AV solutions (Crestron controls, integrated lighting and blind controls to rooms)	Acoustician
High quality AV	High specification or bespoke finish to meeting room tables/ ancillary furniture	Feature' AV walls/ interactive solutions	Sustainability consultant
High quality furniture			Lighting design
			AV consultant
			Catering consultant
			Planning consultant



AVERAGE SPEND BY SECTOR

Costs below exclude IT hardware



MARKET UPDATE

Inflation peaked in February 2023 rising against predictions to 10.4%, however, the Bank of England expect the annual inflation rate to ease in 2023 slowing to 4% by Q4 2023. As of March 2023, the BCIS General Building Cost Index forecast is up 7.1% from this time last year, while materials costs are up 8.1% over the same period. Both sets of costs are expected to have some steadying in the near term, however, the cost of Labour is only forecast to rise in the coming months and years out to 2028 when the BCIS forecasts end.

Labour, and shortage thereof, has been one of the one of the compounding issues within the UK Construction market, with the increase in job vacancies within the sector reportedly 65% higher today than at pre-pandemic levels. There is anticipated to be some easing in the labour shortfall with the Spring budget's announcement that five construction jobs were added to the shortage occupations list, which allows foreign nationals whose occupation is on the list to apply for a skilled worker visa to come and work in the UK.

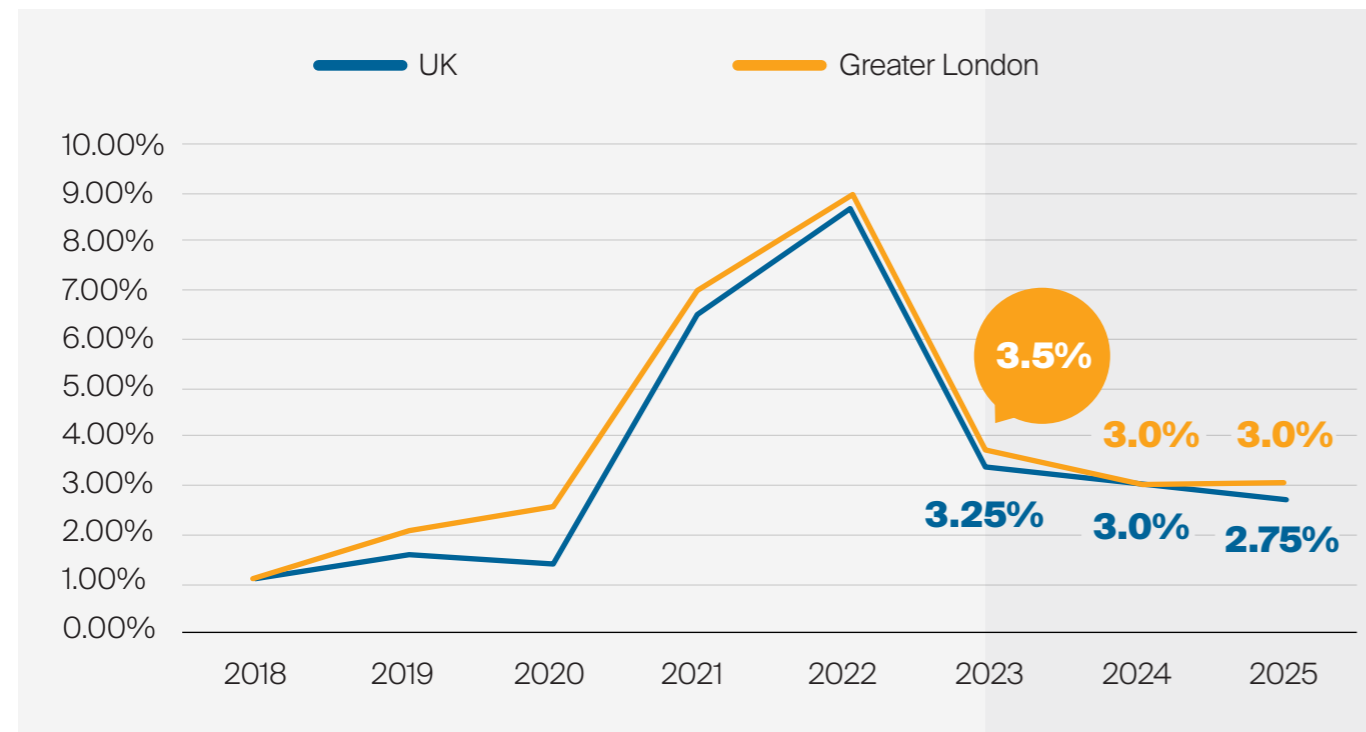
While the costs of materials, energy and labour are expected to continue at a premium, constraining construction activity, there is, however, a glimmer of light for the UK commercial construction sector in that MEES regulations required on all non-domestic properties, in England and Wales, to hold an EPC certificate of B by 2030. 51% of London Office stock holds an EPC rating of C or below, indicating 140m sq ft of space that will require upgrading.

Knight Frank expects construction activity to remain constrained in the short-term with the long-term seeing developers adapting to new materials and construction methods to meet regulatory pressure and combat increased building costs.



TENDER PRICE INFLATION

This graph details projected tender price inflation for 2023.



Source: Knight Frank Research

Macroeconomics

▼	-0.3%	Unemployment Rate	12/2022
▲	3.5%	Interest Rates	3/2023
▲	1.5%	FTSE 100	3/2023
▲	5.0%	Inflation	3/2023
▼	-11.6%	GDP	1/2023
▼	-8.7%	Purchasing Managers Index	3/2023
▼	-5.0%	Consumer Confidence Index	3/2023

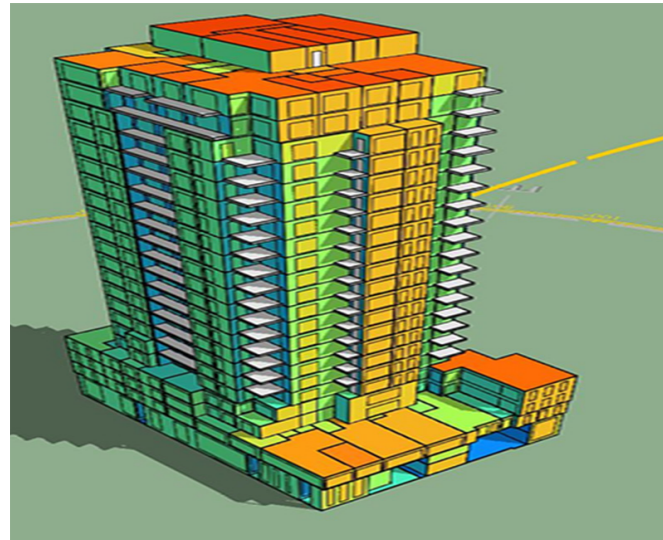
Source: The Office for National Statistics.

Material Cost “Big Movers”

Imported sawn/planed wood	-16%
Particle Board	-7%
Cement	25%
Builder’s woodwork	10%
Ready-mixed concrete	18%
Pre-cast concrete	12%
Concrete steel bars	10%
Natural & artificial stone	17%
Asphalt	41%
Gravel, sand, clays & kaolin	28%

Source: The Office for National Statistics

MEES REGULATION



The regulatory framework to decarbonise real estate is tightening across the UK, with a review of buildings' Minimum Energy Efficiency Standards (MEES).

The overall target is for all non-domestic buildings in England and Wales with existing and new leases to achieve an EPC B rating by April 2030, with incremental steps to reach this including that from April 2023, landlords should not have any ongoing lettings at a property that is below a band E rating (unless a valid exemption applies).

With the UK government committed to reach net zero carbon by 2050 and with the built environment directly responsible for 25% of the total UK carbon footprint, improving the EPC rating of buildings is one way to achieve net zero. To align this target with the realities of the market and the continuous decarbonisation of the national electricity grid, the EPC methodology and associated carbon factors were updated in June 2022. For the first time electricity is now seen as a preferred heating fuel over natural gas. This and other changes to the interpretation of building fabric and lighting have had a profound effect on historic EPC ratings which may no longer be accurate. While EPCs are not a perfect metric of a buildings energy credentials, these updates will now encourage buildings to degasify, moving towards an electric heating system that can be net zero ready.

Improving a building's EPC to comply with future MEES EPC B targets can be expensive and difficult to implement with custom solutions often required, but it can be achieved and with value added to the asset which can show its positive EPC credentials – an important attribute for prospective occupiers.

REIMAGINE AND RECONFIGURE: BRINGING PURPOSE TO OFFICE SPACE

The scale of disruption brought to the world of work by the pandemic has been matched only by the hyperbole attributed to assessments of the post-pandemic workplace – revolution was firmly in the air. At a market level, however, office occupiers have made those prophesied knee-jerk or radical decisions about the quantum of real estate they require going forward. And there certainly has not been the great offloading of surplus space that was so characteristic of the immediate GFC period.

Instead, occupiers have recognised that this 'great global workplace experiment' requires a stringent evaluation of recent experiences within their business to inform either the reconfiguration of existing office space or the reimagining of new office requirements.

Consequently, we are seeing ample market evidence of enhanced office fit-outs and a wider flight to quality that delivers a first-class workplace environment and experience to users. Far from bringing the death of the office, the pandemic experience has enhanced thinking about the design aesthetic and wider purpose of office space.

In terms of purpose, occupiers are increasingly reacting against traditional office configurations which offer row upon row of desks used to administer email and individual tasks. Many occupiers are realising that their existing space is essentially functionally obsolete – a product of a different era of work.

Improved office fit-outs are being used to accelerate the delivery of places that create connection and collaboration and galvanise those corporate cultures dented by the remoteness of the pandemic experience. In so doing, the office (inside and out) is being used as an instrument to portray corporate image and identity. This was the key strategic role of the future office as identified by the almost 400 corporate real estate leaders we surveyed for our (Y)OUR SPACE (www.knightfrank.com/your-space) research during the height of the pandemic.

Given current market trends, it would be extremely surprising if this failed to be the case when the next edition of the research launches in late May.





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