

# LANDLORD REFURBISHMENT COST GUIDE

COST CONSULTANCY  
SPRING 2025





# MARKET UPDATE

## THE GREAT COMPRESSION: LONDON'S OFFICE MARKET IN 2025

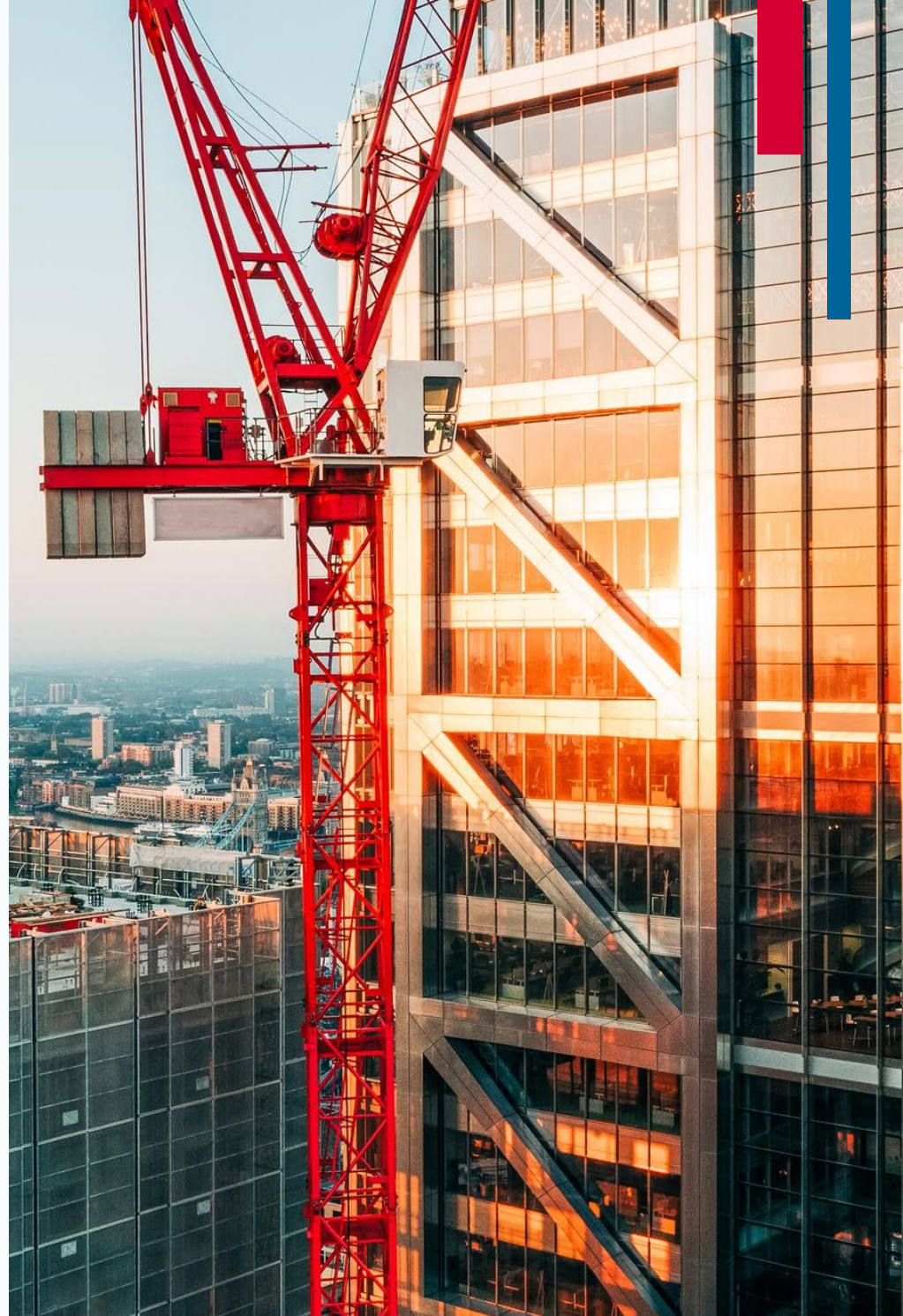
London's office market finds itself at a critical juncture: a supply squeeze is colliding with a refined, cost-conscious occupier class. Prime office availability stands at a modest 6.7 million sq ft, with vacancy rates as low as 1.5% in the City. Yet, the supply of second-tier space – much of it substandard – is ballooning, and nearly 3 million sq ft risks obsolescence under tightening energy regulations.

Developers, chastened by volatile demand post-pandemic, are reluctant to build without commitments. Of the 36 million sq ft in the pipeline, a paltry 12% is likely to materialise. Meanwhile, occupiers are reshaping the rules: nearly 80% now vacate at lease expiry – up from a historical norm of 52%. The demand is real and rising: financial and professional services lead a surge, with IT not far behind.

But it is quality, not just quantity, that tenants crave. Two-thirds of new take-up is for premium or refurbished space, a marked pivot from the 45% pre-pandemic average. Lease lengths are shortening, pre-lets are on the rise, and premium offerings now blend tech-enabled, productivity-driven environments with high-spec amenities – think rooftop terraces, wellness suites, and sustainable design.

Forecasts suggest prime rents could rise by 5-6% annually in key submarkets through 2029. While a softening in economic sentiment could temper leasing activity, the underlying structural imbalances – tight supply, expiring leases, and a persistent flight to quality – should provide a floor, preventing a return to the troughs seen during the lockdown era.

The London office market is no longer a tale of location, location, location – it's now one of function, flexibility, and fiscal finesse. As tenants become savvier and space more scarce, landlords must adapt or fall behind. In this fight for quality, only the most agile – those offering not just four walls but a compelling proposition – will win.



# MARKET UPDATE

## FINANCIAL DUE DILIGENCE

The demise of ISG, one of the largest commercial contractors in Europe, has publicly highlighted the financial difficulties that main contractors are facing within the UK construction market. Large, fixed price contracts, that were secured during or immediately after COVID 19 have placed significant financial pressure on many contractors and sub-contractors, as they attempted to deliver these projects within a climate of rapidly increasing material and labour costs throughout 2021, 2022 and 2023. This has made it even more important for our clients and their teams to undertake sufficient levels of financial due diligence, in order to protect themselves as best they can.

The first option is to procure an independent financial report on the proposed contractor from a recognised provider such as Dun and Bradstreet or Moody's. These will provide analytical data and risk ratings surrounding the companies financial security and liquidity. The only real limitation with the independent financial reports and summary accounts, is that they are only as accurate as the last set of company figures issued and these could be up to a year old. It should be considered that financial difficulties could have occurred post the last annual issue of accounts.

In addition to these financial checks, we advise that summary accounts for the last three years are requested. The main things that we should be looking out for are:-

- i) Sufficient retained funds in the bank
- ii) Increase in turnover 'year on year' (unless there is a good reason i.e. Covid)
- iii) The proposed project value forms less than a third of the companies overall turnover (project values in excess of this may place too great a strain on cashflow)

These checks would be undertaken when you are 'pre-qualifying' a tender list for a project.

Once you have decided to enter into contract with a contractor, there are various contractual documents that you can procure as added financial protection.

A *Parent Company Guarantee* can be obtained if a parent company exists. This is a short form agreement that passes the liability to complete the project to the parent company, should the Contractor go into administration. These do not usually cost the client anything, but if the parent company also goes bankrupt, then they obviously can't be called upon.

A *Performance Bond* can be procured which will provide financial protection for the client, usually up to a maximum value of 10% of the contract sum. This will be called upon should the contractor go into administration and can be used to procure a new contractor to complete the contract. This will cost the client a fee, which is based on the contract sum value. The bond can be in a standard 'JCT' or 'ABI' wording, or drafted in a bespoke form by a solicitor. The key consideration is usually whether the liability should end at PC, end of defects or at the end of the latent defects period (six or 12 years post PC).

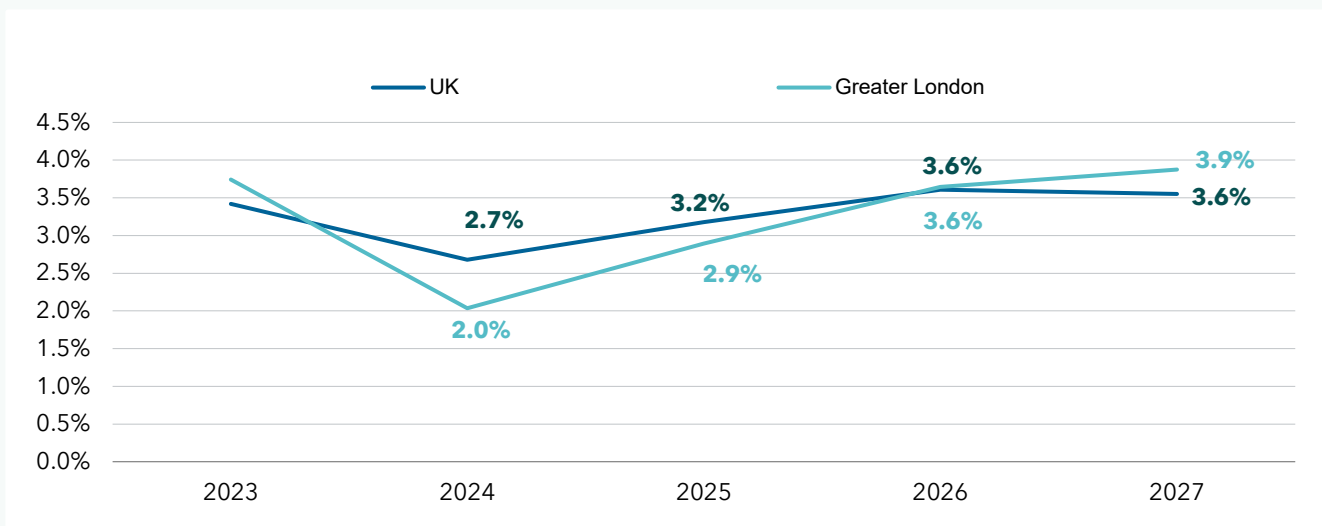
When agreeing the payment terms, it is important that all valuation payments are made for works that have been completed and that no deposits or 'up front' payments are agreed unless absolutely necessary and agreed with the client. If 'up front' payments are made then you should look into procuring an 'advance payment bond' (see JCT contract) and if the pre-payment is for large materials being manufactured off site, then proof of ownership and vesting certification are recommended.





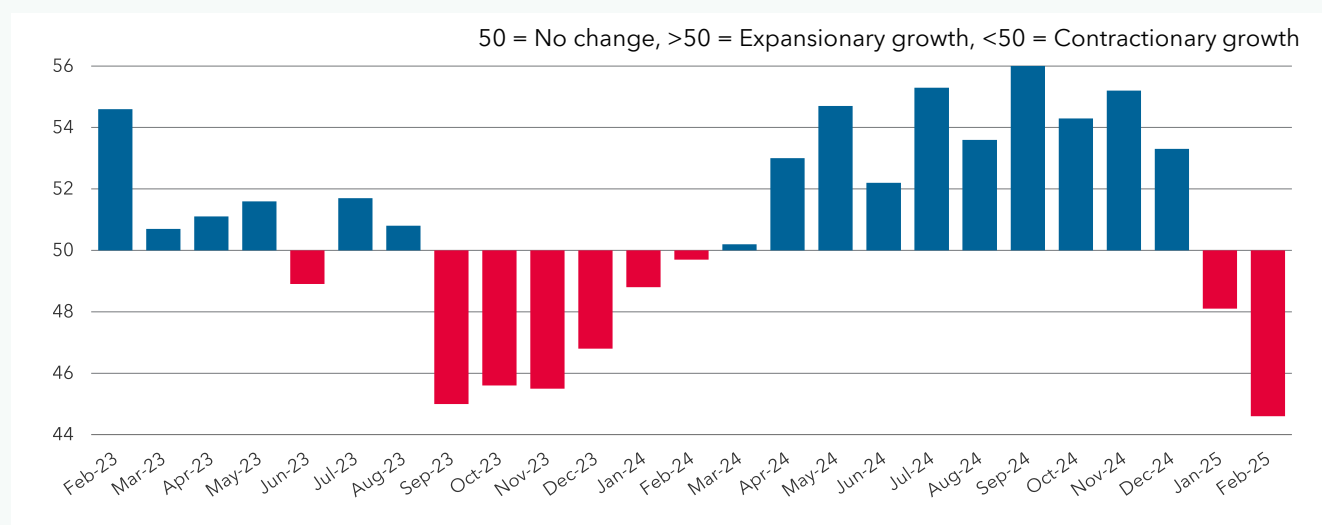
# TENDER PRICE INFLATION AND MACRO ECONOMICS

## TENDER PRICE FORECAST (LONDON) MARCH 2025 UPDATE



Source: Knight Frank Research

## UNITED KINGDOM CONSTRUCTION PMI INDEX



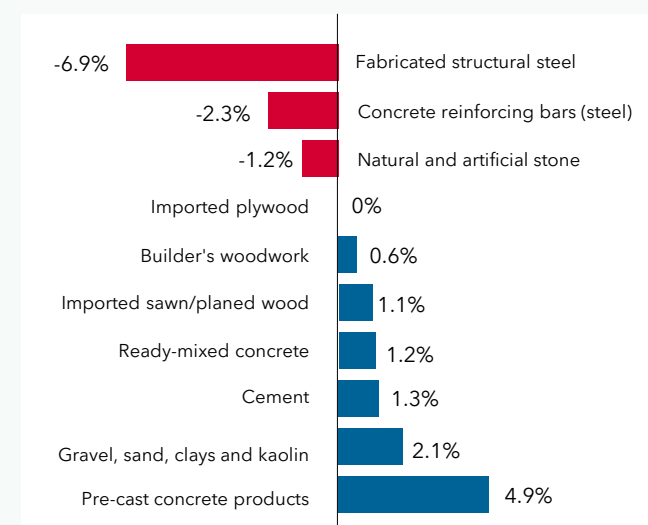
Source: S&P Global/CIPS

## LATEST MACROECONOMICS

|         |   |                                       |
|---------|---|---------------------------------------|
| 4.4%    | ▲ | Unemployment Rate (%)                 |
| 4.5%    | ▼ | Interest Rates Policy Rates (%)       |
| 3.0%    | ▲ | CPI Inflation (annual % change)       |
| 1.4%    | ▲ | GDP (annual % change)                 |
| 46.9    | ▼ | UK Purchasing Managers' Index         |
| -19.0   | ▲ | Consumer Confidence Index             |
| \$73.41 | ▼ | Brent Crude Oil Prices                |
| 5.8%    | ▲ | Average Earnings (3m annual % change) |
| -0.1%   | ▼ | Producer Prices (Input Prices)        |

Source: The Office for National Statistics (arrows reflect annual change)

## MATERIAL COST "BIG MOVERS"



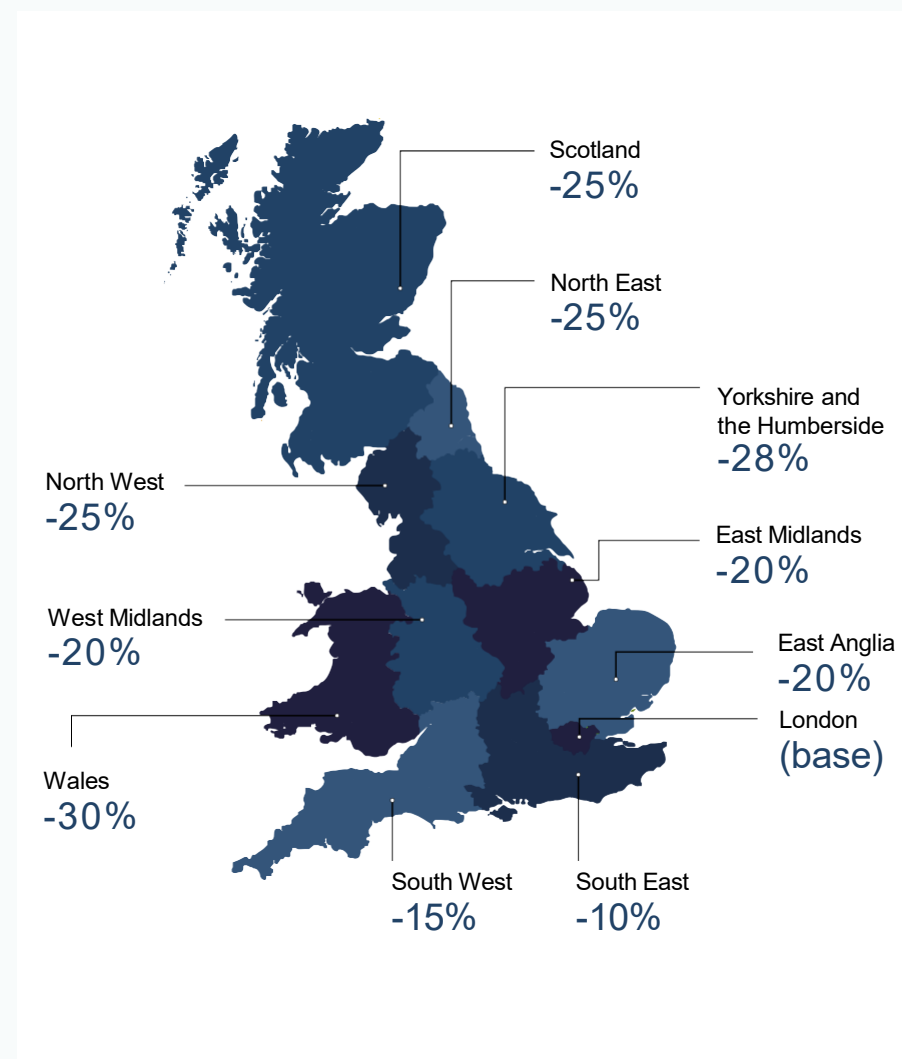
Source: The Office for National Statistics (January 2024 - January 2025)

# COST BENCHMARKING

|  | Cat A<br>Refurbishment<br>£150ft² | Major<br>Refurbishment<br>£250ft² | Building<br>Repositioning<br>£300ft² Plus |
|--|-----------------------------------|-----------------------------------|---|
| <b>OFFICE FLOORS</b>   | <b>£85</b>                        | <b>£90</b>                        | <b>£95</b>                                |
| Strip out existing fit-out                                   | £8                                | £8                                | £8  |
| Raised access floor (refurbish)                              | £5                                | £5                                | £5  |
| Suspended ceiling / soffit treatment                         | £8                                | £10                               | £12                                       |
| Decorations  | £3                                | £3                                | £3  |
| Joinery & window treatment                                   | £3                                | £3                                | £3  |
| LED lighting, power & fire alarms                            | £20                               | £21                               | £22                                       |
| Air-conditioning & mechanical ventilation                    | £38                               | £40                               | £42                                       |
| <b>COMMON PARTS</b>  | <b>£65</b>                        | <b>£65</b>                        | <b>£95</b>                                |
| Refurbishment of WCs   | £20                               | £20                               | £20                                       |
| Refurbishment of reception                                   | £10                               | £10                               | £10                                       |
| Staircases and lift lobby refurbishment                      | £10                               | £10                               | £10                                       |
| Remedial works to building fabric (incl scaffold)            | £15                               | £15                               | £15                                       |
| Amenity space (showers, bike racks & changing)               | £10                               | £10                               | £10                                       |
| Rooftop terrace  | x                                 | x                                 | £30                                       |
| <b>MAIN PLANT</b>  | <b>x</b>                          | <b>£95</b>                        | <b>£110</b>                               |
| Major overhaul / replacement of lifts                        | x                                 | £10                               | £25                                       |
| Air con and ventilation plant                                | x                                 | £20                               | £20                                       |
| Main electrical plant (distribution boards, main switchgear) | x                                 | £20                               | £20                                       |
| Security (access control and CCTV)                           | x                                 | £2                                | £2  |
| Main fire alarm panel and infrastructure                     | x                                 | £3                                | £3  |
| Building Management System (incl 'smart' enablement)         | x                                 | £7                                | £7  |
| Electric boilers   | x                                 | £3                                | £3  |
| Air source heat pumps  | x                                 | £10                               | £10                                       |
| Sprinkler tanks & pumps                                      | x                                 | £10                               | £10                                       |
| 'Smart' systems, IT & 'Wire Score' upgrades                  | x                                 | £10                               | £10                                       |
| <b>MAIN CONTRACTOR COSTS</b>                                 |                                   |                                   |   |
| Preliminaries, OH&P & risk                                   | incl                              | incl                              | incl                                      |
| <b>ADDITIONAL OPTIONS</b>                                    |                                   |                                   |   |
| Relocations / alterations to core                            | £25-£50                           |                                   |   |
| Replacement of facades / windows                             | £20-£100                          |                                   |   |
| Additional massing (on new area only)                        | £450-£600                         |                                   |   |
| Cat A+/Cat B fit out incl furniture                          | £100-£150                         |                                   |   |

Source: KF Internal Benchmarking Data

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



Note:

- 1) Sustainability and EPC upgrades included in £300/ft²+ schemes. Precise rating/accreditations to be evaluated on a 'project by project' basis.
- 2) Buildings below 50,000ft² may incur a cost premium

# 'NEW BUILD' OFFICE DEVELOPMENT – CENTRAL LONDON

| LOW - £400/ft <sup>2</sup>                                  | MEDIUM - £500/ft <sup>2</sup>                                 | HIGH - £600/ft <sup>2</sup>  |
|---|---|--|
| <b>SUBSTRUCTURE</b>   | <b>SUBSTRUCTURE</b>   | <b>SUBSTRUCTURE</b>  |
| No abnormal risks in ground                                 | No abnormal risks in ground                                   | No abnormal risks in ground  |
| No basement   | Single basement level   | Single or multiple basement levels   |
| <b>FRAME</b>  | <b>FRAME</b>  | <b>FRAME</b>   |
| Concrete, steel or a combination                            | CLT, steel or a combination                                   | CLT, steel or a combination  |
| <b>ROOFS</b>  | <b>ROOFS</b>  | <b>ROOFS</b>   |
| Conventional flat roof system                               | Conventional flat roof system, incl small occupiable terraces | Conventional flat roof system, incl enhanced occupiable terraces and planting schemes to improve biodiversity net gain |
| <b>FAÇADE</b>   | <b>FAÇADE</b>   | <b>FAÇADE</b>  |
| Brickwork/render and windows or mid level cladding system   | Structural glazing system. Potentially with stone cladding    | Structural glazing system. Potentially with stone cladding   |
| <b>MECHANICAL &amp; ELECTRICAL</b>                          | <b>MECHANICAL &amp; ELECTRICAL</b>                            | <b>MECHANICAL &amp; ELECTRICAL</b>   |
| All electric building                                       | All electric building   | All electric building  |
| Air source heat pumps and electric boilers                  | Air source heat pumps & electric boilers                      | Air source heat pumps & electric boilers   |
| Mechanical or natural ventilation                           | Mechanical or natural ventilation                             | Mechanical or natural ventilation  |
| Heating & cooling via VRF/ VRV system                       | Heating & cooling via VRF/ VRV system                         | Heating & cooling via VRF/ VRV system  |
| Basic BMS controls  | BMS controls  | BMS controls incl 'smart' system integration   |
| LED lighting  | LED lighting & some 'feature' lighting to key areas           | High spec LED lighting throughout, incl 'feature' lighting   |
| Sprinklers if required                                      | Generator   | Generator  |
| Sufficient quantity of lifts to meet building regulations   | Sprinklers if required  | Sprinklers if required   |
|   | Sufficient quantity of lifts to meet BCO                      | Lift provision and speed to go beyond BCO  |
| <b>FACILITIES &amp; FINISHES</b>                            | <b>FACILITIES &amp; FINISHES</b>                              | <b>FACILITIES &amp; FINISHES</b>   |
| Basic end of journey facilities                             | BCO compliant end of journey facilities                       | London Plan compliant end of journey facilities  |
| Reception area  | Reception area with high spec finishes                        | Reception area with high spec/bespoke finishes & coffee shop/ touchdown area   |
| Exposed services with no rafts to offices                   | Exposed services with acoustic rafts to offices               | Exposed services with acoustic rafts to offices  |
| Paint finish to walls & tile/vinyl flooring to lift lobbies | Feature wall finish and tiled floor to lift lobbies           | Feature wall finish and tiled floor to lift lobbies  |
| Ceramic tiling & low-mid level sanitary fittings to WCs     | Fully tiled WCs with high quality joinery & sanitary fittings | Fully tiled WCs with high quality joinery & sanitary fittings  |
|   | Communal terrace  | Extensive & high specification communal terrace & possibly private terraces as well                                    |
|   |   | Bar/restaurant and/or function facility  |
| <b>SUSTAINABILITY</b>                                       | <b>SUSTAINABILITY</b>   | <b>SUSTAINABILITY</b>  |
| Sufficient accreditations to meet planning requirements     | Highest accreditation across key areas (BREEAM, Well)         | Highest accreditation across multiple areas (BREEAM, Wired Score, Nabers, Well etc). Carbon neutral building           |
|   |   | Community stakeholder input & collaboration  |

## NOTES:

1. 'Towers' such as 8 and 22 Bishopsgate etc will be in excess of the "HIGH" category
2. A cost premium may need to be applied to 'new builds' below 50,000ft<sup>2</sup>
3. Costs exclude professional fees, section 106 costs, Rights of Light, CIL payments, utility upgrades & insurances
4. VAT is excluded
5. Costs based on Central London



# INDICATIVE PROGRAMMES

Assumed scope; End of Journey, Reception, WCs, 'Cat A' to office floors, all new MEP systems and plant, communal rooftop terrace  
BUT NO additional massing or window/cladding replacement.

Up to 50,000 sq ft

| Activity               | Weeks | 2025 |    |    | 2026 |    |    |    |
|------------------------|-------|------|----|----|------|----|----|----|
|                        |       | Q2   | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 |
| Design and procurement | 39    |      |    |    |      |    |    |    |
| Planning Approval      | 17    |      |    |    |      |    |    |    |
| Mobilisation & CMP     | 8     |      |    |    |      |    |    |    |
| Construction           | 39    |      |    |    |      |    |    |    |

50,000 - 100,000 sq ft

| Activity               | Weeks | 2025 |    |    | 2026 |    |    |    | 2027 |    |    |
|------------------------|-------|------|----|----|------|----|----|----|------|----|----|
|                        |       | Q2   | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 | Q1   | Q2 | Q3 |
| Design and procurement | 52    |      |    |    |      |    |    |    |      |    |    |
| Planning Approval      | 17    |      |    |    |      |    |    |    |      |    |    |
| Mobilisation & CMP     | 13    |      |    |    |      |    |    |    |      |    |    |
| Construction           | 52    |      |    |    |      |    |    |    |      |    |    |

100,000 - 200,000 sq ft

| Activity               | Weeks | 2025 |    |    | 2026 |    |    |    | 2027 |    |    |    |
|------------------------|-------|------|----|----|------|----|----|----|------|----|----|----|
|                        |       | Q2   | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 |
| Design and procurement | 65    |      |    |    |      |    |    |    |      |    |    |    |
| Planning Approval      | 17    |      |    |    |      |    |    |    |      |    |    |    |
| Mobilisation & CMP     | 13    |      |    |    |      |    |    |    |      |    |    |    |
| Construction           | 65    |      |    |    |      |    |    |    |      |    |    |    |

200,000 - 300,000 sq ft

| Activity               | Weeks | 2025 |    |    | 2026 |    |    |    | 2027 |    |    |    | 2028 |    |
|------------------------|-------|------|----|----|------|----|----|----|------|----|----|----|------|----|
|                        |       | Q2   | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 | Q1   | Q2 |
| Design and procurement | 78    |      |    |    |      |    |    |    |      |    |    |    |      |    |
| Planning Approval      | 18    |      |    |    |      |    |    |    |      |    |    |    |      |    |
| Mobilisation & CMP     | 13    |      |    |    |      |    |    |    |      |    |    |    |      |    |
| Construction           | 78    |      |    |    |      |    |    |    |      |    |    |    |      |    |

300,000 - 400,000 sq ft

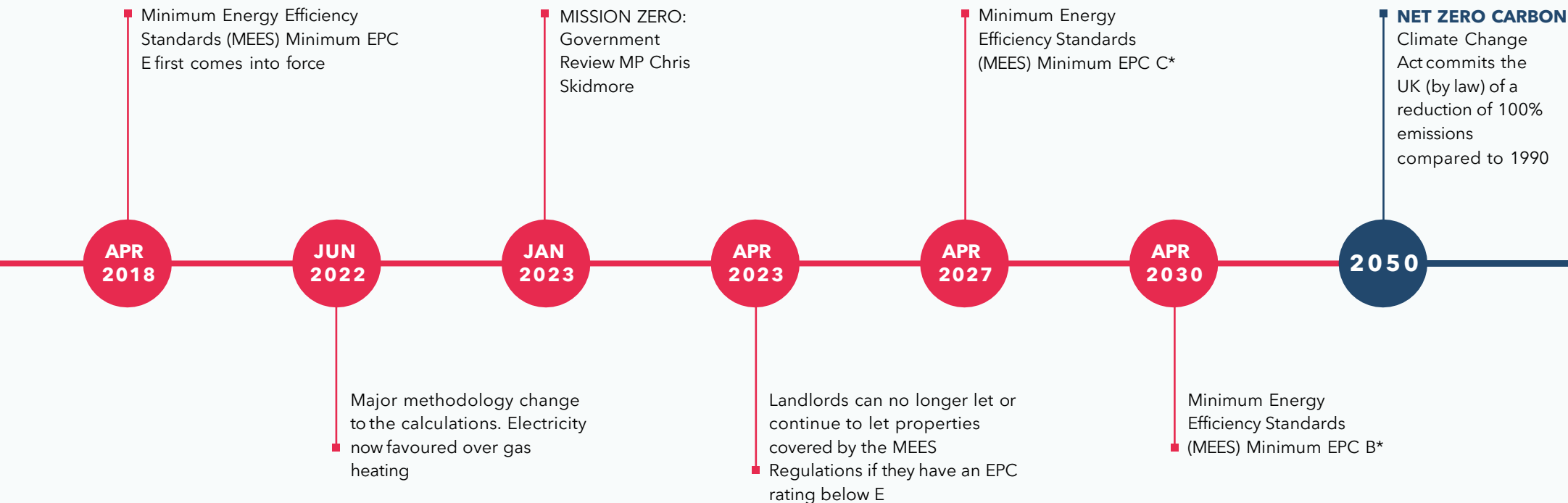
| Activity               | Weeks | 2025 |    |    | 2026 |    |    |    | 2027 |    |    |    | 2028 |    |    |    |
|------------------------|-------|------|----|----|------|----|----|----|------|----|----|----|------|----|----|----|
|                        |       | Q2   | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 | Q1   | Q2 | Q3 | Q4 |
| Design and procurement | 91    |      |    |    |      |    |    |    |      |    |    |    |      |    |    |    |
| Planning Approval      | 17    |      |    |    |      |    |    |    |      |    |    |    |      |    |    |    |
| Mobilisation & CMP     | 13    |      |    |    |      |    |    |    |      |    |    |    |      |    |    |    |
| Construction           | 92    |      |    |    |      |    |    |    |      |    |    |    |      |    |    |    |

## NOTES:

- Choice of procurement route may affect programme (design and build, traditional, negotiated, single stage, two stage).
- Introduction of additional massing and/or window/cladding replacement will extend the programme.
- "CMP" is a Construction Management Plan; which is a planning requirement.
- Programme based on commercial property only. Residential accommodation will affect the programme.

# UK REGULATIONS & MILESTONES

\* MEES Requirements yet to be made into law but are expected to happen.

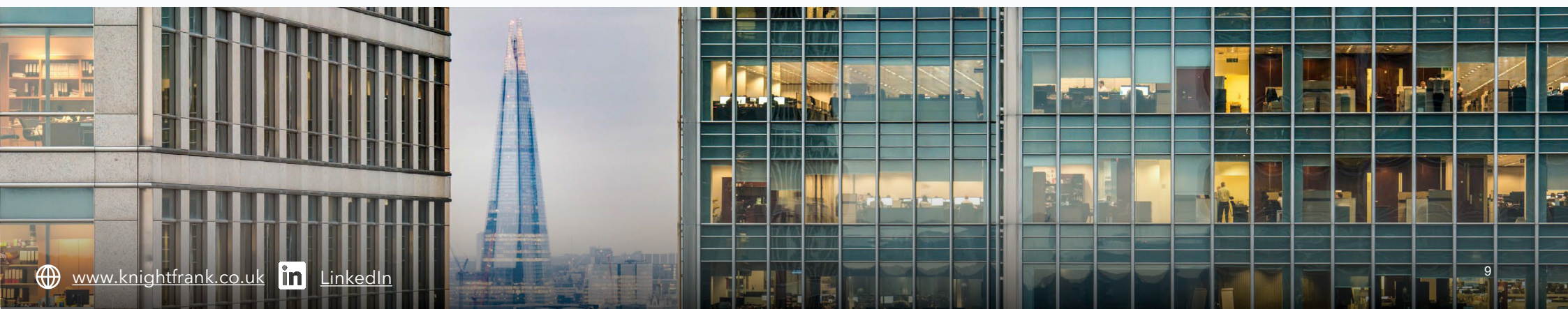




# EPC UPGRADES – INDICATIVE BUDGET COSTS

Almost every building will have different characteristics which contribute to its EPC rating and therefore, there is no 'one solution fits all' approach to EPC upgrades. We strongly advise that an EPC assessment is undertaken on the individual building and then a considered set of recommendations can be produced, that provide the most sensible, cost effective and least disruptive solution for that building.








| REF      | DESCRIPTION   | COST                                    | EPC IMPACT |
|----------|---|---|------------|
| <b>1</b> | <b>MEP Replacement</b>  |   |            |
| -        | Change from chiller and fan coil units to condensers and VRF      | £30-£40/ft <sup>2</sup> on GIFA         | Medium     |
| -        | Replace AHU with more energy efficient version                    | £15-£15/ft <sup>2</sup> on GIFA         | High       |
| -        | Replace gas fired boilers with air source heat pumps              | £10-£20/ft <sup>2</sup> on GIFA         | Medium     |
| -        | LED lighting throughout with smart controls                       | £10-£15/ft <sup>2</sup> on GIFA         | Medium     |
| -        | Point of use water heaters in lieu of boilers to WCs etc          | £2.5-£5/ft <sup>2</sup> on GIFA         | Medium     |
| <b>2</b> | <b>External &amp; Fabric Works</b>                                |   |            |
| -        | Repairs to windows seals and gaskets (incl access)                | £1-£5/ft <sup>2</sup> on façade area    | Low        |
| -        | Re-new flat roof finish with increased insulation                 | £3-£7/ft <sup>2</sup> on roof area      | Medium     |
| -        | Replace existing glazed windows with triple glazing, incl access  | £10-£25/ft <sup>2</sup> on glazing area | Medium     |
| -        | Carry out an air permeability test, incl necessary remedial works | £1-£10/ft <sup>2</sup> - on GIFA        | Medium     |



# SUSTAINABILITY ACCREDITATIONS

## YOUR OPTIONS FOR ACCREDITATIONS

As noted previously, Sustainability and ESG continue to become increasingly prevalent in occupier decision making. Achieving specific accreditations would not only give the building a story but would also focus on the environment and wellness of staff. There are a number of accreditations in this regard, but the following are common in the market:

|   |   |    |    |   |    |    |
|--|--|---|---|--|---|---|
| <b>SKA RATING - SUSTAINABILITY</b> <ul style="list-style-type: none"> <li>Granular</li> <li>Fit out specific</li> <li>Quicker assessment process</li> <li>Criteria proportion to the speed and scope of works</li> <li>Certification fees = ~£2,250</li> </ul> | <b>BREEAM RATING - SUSTAINABILITY</b> <ul style="list-style-type: none"> <li>Basebuild linked (can be a requirement to use to comply with lease)</li> <li>RIBA aligned</li> <li>Specialist input and reports required</li> <li>Less flexible</li> <li>Extensive evidence required</li> <li>Certification fees = ~£2,500</li> </ul> | <b>NABERS - SUSTAINABILITY</b> <ul style="list-style-type: none"> <li>Granular - 12 months of data required</li> <li>Different assessments for Tenancy, Basebuild and Whole Building</li> <li>Measures actual impact</li> <li>Allows like-for-like comparisons</li> <li>Requires regular renewal of rating</li> <li>Certification fees = ~£750</li> </ul> | <b>AIRRATED - WELLNESS</b> <ul style="list-style-type: none"> <li>Measures Indoor Air Quality (IAQ)</li> <li>International Benchmark</li> <li>Based on medical and scientific research</li> <li>Certification fees = ~£2,800 per annum</li> </ul> | <b>FITWELL - WELLNESS</b> <ul style="list-style-type: none"> <li>More of a portfolio tool</li> <li>Site and building related items (out-of-control of tenant)</li> <li>No measurement of green or energy / water efficiency measures</li> <li>A lot of company policy / procedure credits</li> <li>Quicker assessment process</li> <li>Certification fees = ~£4,000</li> </ul> | <b>WELL BUILDING STANDARD - WELLNESS</b> <ul style="list-style-type: none"> <li>Extensive / prescriptive criteria</li> <li>No measurement of green or energy / water efficiency measures</li> <li>A lot of company policy / procedure credits</li> <li>Certification fees = ~£24,000</li> </ul> | <b>WIRED SCORE - TECHNOLOGY &amp; INFRASTRUCTURE</b> <ul style="list-style-type: none"> <li>Rating system for digital connectivity and smart buildings</li> <li>Recognised by GRESB as "Green Building Certification Schemes".</li> <li>Landlord / building focus</li> <li>Certification fees = ~£12,500</li> </ul> |

## THE LANDLORD PERSPECTIVE

Accreditations can enhance a building's desirability from an occupier's view; more occupiers are demanding buildings with certain levels of accreditation.

A focus on certain accreditations can assist on the delivery and management of best-in-class buildings that will attract and retain top quality occupiers.

By targeting (and achieving) certain ratings this can prove commitment to ESG targets, aligning with those of occupiers, as well as ensuring that landlords are providing a future-ready attractive environment and a sought-after asset.

With each accreditation, specialist consultants will need to be appointed, and in most cases a pre-assessment would be recommended to inform suitability and any necessary works required.

It is also vital to ensure that sustainable design is considered throughout any project undertaken, and that sustainability is paramount throughout the lifecycle of a building. Standards and targets are continuously being developed and shared by organisations such as the UK Green Building Council (UKGBC) and Better Buildings Partnership (BBP). To ensure best-in-class, landlords must align with such organisation's visions in terms of improving the sustainability of the built environment through transforming the way every stage of a project is considered.

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