

BDO report finds most efficient and sustainable office buildings attract higher than average service charges

2 years ago



- Office service charges rise 10% year-on-year amid hike in costs for 'soft services'
- Central London office service charges 86% higher than in rest of UK
- Least efficient buildings have highest service charges

Office buildings with the highest efficiency and sustainability ratings tend to have higher than average service charges, a report from accountancy and business advisory firm [BDO](#) has found.

The firm's latest benchmarking report identified that offices with an 'outstanding' or 'excellent' Building Research Establishment Environmental Assessment Methodology (BREEAM) certification had total service charge costs that were 26% higher than the other offices it surveyed. Meanwhile, total service charge costs were 6% higher for offices with an Energy Performance Certificate (EPC) rating of A or B compared to all other offices.

The new figures come from BDO's latest [PropCost benchmarking report](#), developed in conjunction with the Royal Institute of Chartered Surveyors, which reviewed £352m of service charge data for 408 office buildings for the three-year period to 2023.

Based on median data, the report found that overall service charge costs were split between soft services like cleaning and security (30%) and hard services like mechanical and electrical services (30%). This was followed by management costs (21%), utilities (18%) and insurance (1%).

While the report revealed service charges are higher on average for more efficient buildings, the highest

costs overall were seen in the least efficient offices (those with an EPC rating of E to G).

Overall, BDO found that service charges for office accommodation rose by an average of 10% year-on-year in 2023 amid a significant hike in 'soft' service costs such as cleaning and sustainability services which rose at a greater rate than other costs such as security.

However, the increase in costs was less pronounced in smaller offices, with the most significant increase in costs seen in the largest offices. This may be because smaller offices were not as impacted by lower occupation during the pandemic, whereas larger offices invested most in amenities as part of the return to 'normal' office working.

Unsurprisingly, service charge costs were higher in London than in other regions. On average, office service charge costs in central London were 86% higher than for those located elsewhere in the UK.

[Andrea Hunt](#), BDO's Lead Partner for Service Charge Accounting said:

"One of the more illuminating findings from our report is that office assets with the highest efficiency and sustainability ratings tend to have higher service charge costs. This is likely to be because the most efficient buildings tend to be newer with a more modern design, larger common areas and a higher standard of amenities.

"These findings build on previous industry research which has identified the growing relationship between efficiency & sustainability ratings with the capital or rental value of a building asset.

"This benchmarking report also highlights where inflation has had the biggest impact on service charge costs, and what differences we are seeing in costs across different types of office accommodation.

"As the UK economy faces the strain of limited growth, business leaders will need prioritise reviewing costs as they monitor and adapt their strategies. As such, this report should be particularly useful for both property managers and prospective tenants."