exigere

INSIGHT

Making offices leaner

Why are London offices so expensive to build and what can we do about it?

Office construction costs in central London have reached unprecedented levels. exigere's latest Bunker Model shows that new build Grade A office developments are now averaging approximately £545 per sq ft, representing a 40-50% increase over the past six years.

Viability has become increasingly difficult to achieve across many schemes. This trajectory is unsustainable. To respond effectively, the industry must look beyond headline inflation and examine what is truly driving these costs, and what can realistically be done to address them.

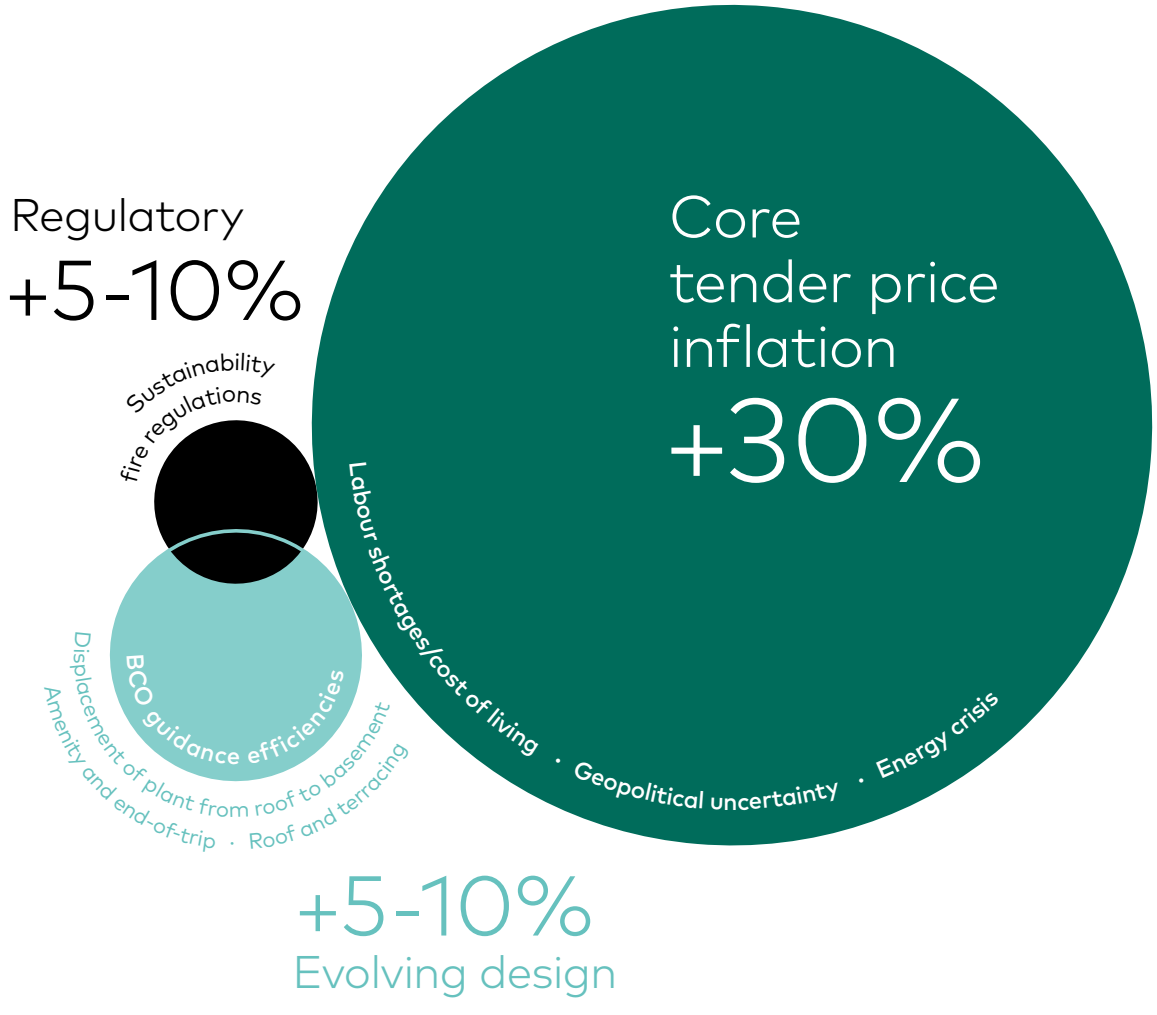
What's driving the cost escalation?

Tender price inflation (TPI) is often cited as the principal driver of rising construction costs, but this only tells part of the story. A broader and more complex interplay of factors, including regulatory change, sustainability demands, design evolution and market context, has contributed to an overall increase in construction pricing of 40-50% since 2020.

Key contributing factors include:

- Capacity constraints across multiple sectors, particularly data centres, insolvencies and structural trades
- Rising labour and material costs
- Increased risk aversion across the supply chain
- A rapidly shifting and increasingly complex policy environment
- Evolving industry practices and rising tenant expectations, particularly around amenities

Central London cost escalation, Q1 2020 to Q2 2026

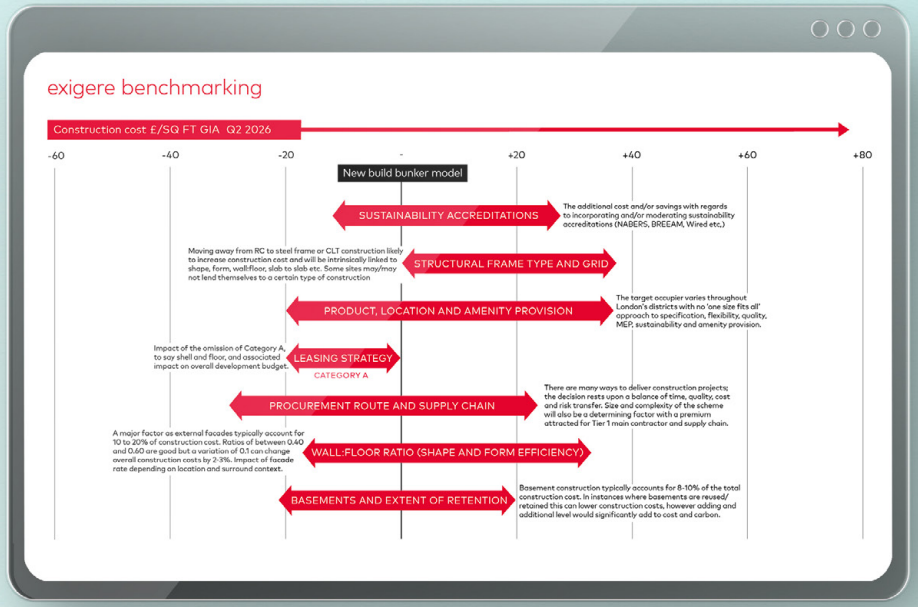


Our approach: the Bunker Model

To make offices leaner, we start by building a site-specific Bunker Model for every project. It establishes our baseline for what a Grade A office should be on that plot, within planning constraints and the realities of buildability, while keeping specification focused and purposeful. We then test the emerging design against that benchmark as it develops, using it to challenge assumptions early, before cost and complexity become locked in.

A credible Bunker Model relies on more than a single cost plan. It draws on robust benchmarking across cost, key design parameters, areas and carbon, and it is kept honest by programme and logistics. We review elemental and functional cost, preliminaries and allowances, and site-specific rates for items including concrete, steel and facade. We test storey heights, wall-to-floor ratios, structural grids, frame weights, occupancy assumptions and servicing strategies. We interrogate net and gross efficiency, including reception, terracing and end-of-trip provision. And we compare embodied carbon targets alongside cost, using lifecycle thinking to understand trade-offs.

This approach helps teams distinguish what is required from what has simply become customary, keeping performance high while stripping out avoidable cost.



What the Bunker Model tests

- Baseline Grade A specification appropriate to the site and planning context
- Structural grid efficiency and frame weight optimisation
- Storey heights and facade efficiency ratios
- Occupancy assumptions and servicing strategies
- Net to gross efficiency and circulation space
- Reception, terrace, amenity and WC provision
- End-of-trip facilities and basement utilisation
- Embodied carbon targets alongside capital cost
- Programme, logistics and buildability constraints

Purpose

To provide an objective benchmark against which emerging designs can be tested, allowing teams to challenge assumptions early and avoid unnecessary cost escalation.

The BCO and emerging office trends

The British Council for Offices (BCO) Guide to Specification has long provided valuable technical guidance to the industry. In recent years, however, it has increasingly been treated as a mandatory standard rather than an advisory benchmark. This shift in mindset can potentially lead to over-design, from lift provision and floor loadings to ceiling heights and mechanical allowances designed for theoretical occupancies that rarely occur.

While recent editions of the BCO guide, including the 2023 update, have begun to challenge some of these assumptions, further progress is required. If office development is to remain commercially viable, the industry must continue to distinguish between what is genuinely required and what has become habitual, and be prepared to challenge established norms where they no longer reflect operational reality.

Emerging office trends

BCO NEW GUIDE TO FIT-OUT

- Hybrid working is here to stay
- People-centric design
- Smart technology and AI to optimise office management
- Sustainability and net zero, reducing lifecycle carbon
- Health and wellbeing

BCO POST-PANDEMIC UTILISATION

- How much space is really needed?
- Post-pandemic average utilisation is around 30%
- Midweek (Tuesday to Thursday) peaks around 40% on average, with upper ranges reaching approximately 66%
- Finance and legal sectors show higher utilisation levels
- Effective density is often closer to 15 sq m per occupant
- Designing for hybrid working, peak-based occupancy and shift-based utilisation

CPA

- London-wide policies are based on an unrealistic assumption that one in five city workers cycle to the office
- New data reveals that 86% of cycle parking bays in new City developments remain unused
- If planning requirements remain unchanged, this could result in an additional 42,500 sq m of space remaining significantly underutilised
- Estimated 21,500 tonnes of carbon impact would undermine broader environmental goals
- The next London Plan draft is expected in 2026, with adoption anticipated in 2027

Navigating regulation versus habit

While over-specification can be challenged and teams can work together to mitigate its impact, regulatory requirements cannot be ignored. Recent changes, including Part T, updated fire safety standards, Urban Greening Factors and new sustainability frameworks including NABERS, BREEAM and WELL, have added legitimate and necessary cost. These are essential developments in ensuring safety, accessibility and environmental performance.

The challenge is distinguishing between what is mandatory and what has simply become customary. Lean design does not mean cutting corners. It means meeting regulations confidently, while resisting the drift towards 'gold-plating' specifications that add cost without measurable benefit or clear tenant demand.

Making offices leaner

exigere's project reviews consistently reveal significant opportunities to deliver the same functionality at lower cost through targeted, informed design decisions. Structural grids, loading criteria, floor-to-floor heights, facade complexity and Category A fit-out strategies all present avenues for optimisation.

Applying lean principles: the 'White Collar Factory' mindset

The concept of lean thinking, long established in manufacturing, offers valuable lessons for office design and construction. At its core, lean focuses on eliminating waste, optimising flow, and delivering value precisely where it matters. When applied to the built environment, it encourages teams to view a building not as a bespoke prototype, but as a repeatable product: a system that can be continually refined through data, iteration and feedback.

This philosophy is powerfully demonstrated in Derwent London's White Collar Factory, a building that has become shorthand in the industry for efficient, resilient design. Its rational structural grid, exposed soffits, natural ventilation and robust finishes supported cost control and long-term flexibility, proving that simplicity can outperform complexity. Similar principles can be seen across a generation of London workplaces, including Derwent London's The Featherstone Building, which applies lean thinking to balance performance, sustainability and cost.

The core lean principles translate directly to modern office delivery:

Value: Define what the occupier truly values and strip away non-essential features.

Flow: Eliminate design and procurement bottlenecks by improving coordination and decision-making.

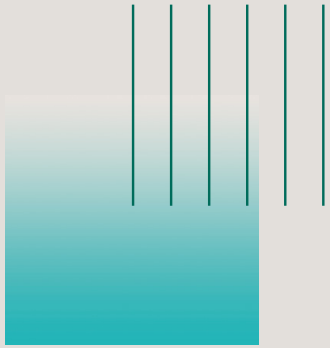
Pull: Design only to the level of performance and capacity that actual users require.

Perfection: Continuously refine and benchmark to drive out inefficiency.

By adopting this mindset, asking 'Does this actually add value?' at each decision point, and testing options through exigere's Bunker Model and Carbon Cost Model, project teams can pursue measurable efficiency, resilience and performance.

Design and cost efficiency

Efficiency in office development is rarely about removing scope. It is about recalibrating assumptions. Net-to-gross efficiency has slipped by 3-4% over the last ten years to accommodate market aspirations for larger receptions and other shared facilities. Several design parameters have also had a disproportionate impact on total build cost and each can be optimised without diminishing user experience.



Fresh air and occupancy rates

Ventilation and plant sizing are often driven by outdated occupancy densities of 1:8 sq m or higher. In practice, post-pandemic utilisation studies show effective densities closer to 1:12-15 sq m per occupant. Revising fresh air rates and equipment capacity accordingly can reduce both MEP capital cost and long-term operational energy demand.

Toilet provision

WC and sanitary provision are directly linked to assumed headcount. Optimising calculations to reflect actual workplace utilisation patterns, such as hybrid attendance and sector-specific peaks, can save significant area and MEP cost while remaining fully compliant with Approved Document G and BCO guidance.

End-of-trip facilities

Cycle storage and shower provision are often oversized to meet planning aspirations rather than true demand. Right-sizing these facilities using realistic usage data while ensuring inclusivity and user experience can reduce basement area, ventilation, drainage and fit-out costs, freeing valuable space for lettable or plant use.

Structural layout and grids

Rationalising structural grids, loading criteria and spans can deliver meaningful savings in concrete, reinforcement and facade complexity. Optimising grid geometry early, before detailed architectural constraints are fixed, remains one of the most powerful cost levers in office design.

Live loads and design factors

Structural design criteria are often governed by legacy assumptions rather than current workplace realities. The default office live load of 2.5 kN/sq m + 1.0 kN/sq m for partitions reflects a time when dense storage and heavy filing were commonplace. Today's hybrid workplaces and lightweight interiors place far lower demands on structure. Calibrating load design to 2.0 + 0.5 kN/sq m can yield 10-15% savings in reinforcement and slab thickness, while remaining within the range typically accepted by Building Control and major leasing agents. Similarly, conservative factors of safety and deflection limits, though intended to ensure robustness, are often more stringent than necessary. Using data-led analysis to validate performance allows engineers to right-size elements, cutting embodied carbon and cost without compromising integrity.

Power demand and electrical load allowances

Electrical systems in many London offices are still designed for power densities that far exceed realistic demand. Historic allowances of 70-80 W/sq m for lighting and small power combined were based on outdated assumptions of dense occupation and inefficient lighting. Measured energy data from modern workplaces, even accounting for hybrid occupancy and technology use, consistently shows actual consumption closer to 25-40 W/sq m. By designing to these evidence-based benchmarks, teams can reduce the scale of incoming power supplies, transformer capacity and electrical risers, cutting capital cost and embodied carbon. Smart sub-metering and load monitoring then maintain flexibility while ensuring systems perform efficiently in use.

Reception and common areas

Prior to 2010, reception areas would typically represent 0.8-1.2% of GIA. Since 2010, reception spaces have expanded to between 1.6-3.0% of GIA, as developers have sought to create more impactful amenity spaces and enhance the occupier experience. While this can materially add value, the continued trend towards expansion should be carefully considered.

Roof terraces and amenity

External amenity spaces such as roof terraces can add significant value to office buildings, particularly in competitive leasing markets. However, the scale and distribution of these spaces should be carefully considered. Oversized terraces can introduce structural complexity, reduce plant flexibility and increase waterproofing and maintenance requirements. Early design reviews should test whether proposed amenity space aligns with likely tenant demand and operational use. Right-sizing these areas can preserve their commercial value while avoiding unnecessary structural, servicing and cost impacts.

The Featherstone Building ©Jack Hobhouse

Lifts and vertical circulation

Lift numbers and performance are frequently designed to meet peak theoretical demand rather than real-world operation. Using detailed performance modelling based on likely occupancy and arrival profiles can reduce the number or capacity of lifts required, saving both capital cost and core area. Equally, well-designed accessible staircases can promote active travel, satisfy regulation and, in some cases, allow rationalisation of vertical transport systems.

Reusing and recycling materials

The circular economy is now at the forefront of modern design. Material reuse and recycling present both carbon and cost opportunities. Reusing existing substructures, basement boxes or facade components can dramatically reduce embodied carbon and early-stage expenditure. Likewise, specifying recycled steel and low-carbon concrete, or designing elements for future disassembly, aligns with circular economy principles while insulating projects from volatile material markets. Every retained or reused component can deliver a direct cost saving, both financially and environmentally.

Each of these levers can be modelled and validated through exigere's Bunker Model and Carbon Cost Model, ensuring optimisation decisions are driven by measurable evidence rather than precedent.

Procurement, risk and resilience

Procurement strategy and contracting behaviour are major contributors to cost escalation and project volatility. Traditional, outdated and overly risk-averse procurement can embed significant premiums into construction costs and limit market engagement. A more collaborative approach, underpinned by early engagement and transparent risk allocation, can reduce these premiums and mitigate insolvency risk.

Construction insolvencies - mitigation

A range of factors have contributed to rising insolvency risk across the construction sector. These include the lasting effects of COVID, reduced availability of credit and credit insurance, the war in Ukraine, sustained inflation, labour shortages and changes to national infrastructure investment. Many of these pressures sit outside the industry's control, but there are still practical steps project teams can take to reduce risk.

Insolvency helps no one. Its effects are felt across the entire project team, which is why collaboration is essential.

Early supply chain engagement

Undertake robust due diligence, maintain clear communication and integrate the supply chain early. This should include careful review of contractor financial standing, management accounts and relevant insurance considerations.

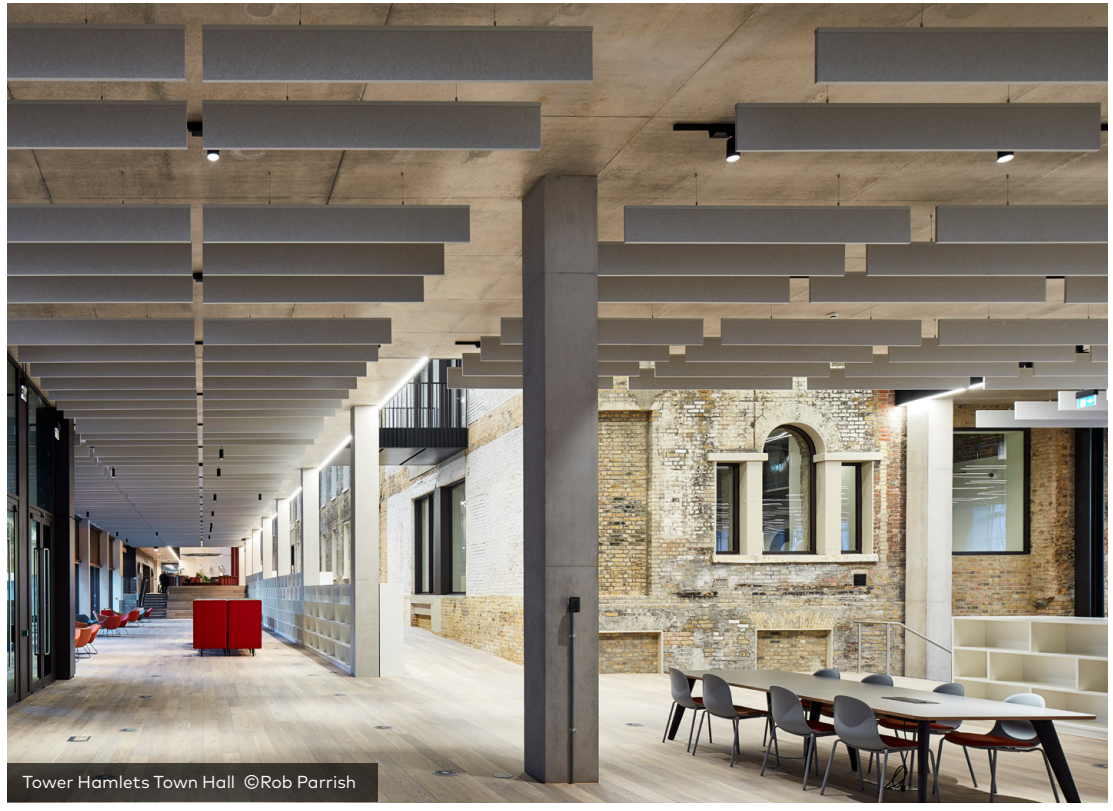
Understand the risks and allocate them fairly

Risk should be identified early, discussed openly and allocated to the party best placed to manage it.

Protect and support cash flow

Pragmatic measures such as tailored payment terms, advance payments or escrow arrangements can help maintain stability across the supply chain and reduce pressure on delivery.

Flexibility is essential. Project teams should be willing to challenge outdated approaches and adopt practical, commercially sensible solutions where needed. Contracting strategies should be applied flexibly and pragmatically.



Tower Hamlets Town Hall ©Rob Parrish

Adopting playbook principles

Many of the challenges associated with procurement risk and insolvency can be mitigated by applying the principles set out in the Construction Playbook. These include early supply chain engagement, fairer risk allocation, transparent commercial arrangements and a collaborative project environment. Applying these principles consistently helps create more stable delivery environments and supports a healthier, more resilient supply chain.

Three of the ten success factors from the Private Sector Construction Playbook

ALLOCATE RISK APPROPRIATELY AND FAIRLY

The allocation of risk needs to be decided by evaluating the project, using experience, expertise and knowledge. The party best placed to manage the risk should take the leadership role and should also encourage collaborative thinking among all parties.

Contractual arrangements should be flexible enough to transfer the risk at the right time where applicable. This will mitigate the financial stresses associated with onerous contracts and should also include appropriate recourse or review if risk transfer is not suitable or agreeable for all parties.

PAY FAIRLY

Payment mechanisms must be put in place right at the start and have buy-in from the supply chain. Trust and collaborative partnerships can only be established if fair payment is in place. Best practice, as set out in the Construction Act 2011 amendment, should be adhered to at the very least, and embedded in all construction contracts, with any amendments taking into consideration supply chain implications and risk allocation.

Well-known mechanisms, such as advance payments and bonds, should be reviewed and applied throughout the supply chain. But other mechanisms should be considered to incentivise parties to promote better outcomes and benefit project culture.

ASSESS THE ECONOMIC AND FINANCIAL STANDING OF SUPPLIERS

Minimising the risk of failure in the supply chain is crucial for the efficient delivery of a project. The financial strength of all supply chain partners should be assessed during the selection process. Assessments should be transparent, objective and non-discriminatory.

Where required, the project should consider appropriate risk mitigation through measures such as guarantees, escrow accounts and insurance protections.

Source: Trust and Productivity, The Private Sector Construction Playbook (November 2022)

Achieving best value in a challenging market

Even as the market stabilises, pressure on viability remains intense. Delivering value today requires a combination of technical excellence, commercial transparency and disciplined collaboration. Strong design coordination, intelligent procurement timing and realistic supply chain engagement are all critical to achieving best value.

Reinforcing good principles

With continued volatility in construction pricing and elevated risk, real pressure remains on the viability of schemes. While the market has stabilised, clients and teams must do all they can to mitigate the issues we are facing.

THE DESIGN TEAM	SUPPLY CHAIN
Strong client covenant, strong experienced team	Strong due diligence around contractor stability and financial strength
Excellent, efficient Grade A design with clearly demonstrable value-add	Bespoke and appropriate procurement strategies, with timing the market understands and accepts
Market-leading sustainable credentials	Warming up the market early to secure the right level of contractor and supply chain engagement
Utilising MMC and off-site manufacture	Speed to market
Simple, standardised, dematerialisation	Clear focus on trades showing high levels of volatility
Excellence in coordinated tender information	Appropriate levels of competition
Careful selection of materials	Equitable risk allocation and payment terms

Building smarter, not harder

London's office market, together with markets in all our UK cities, faces a fundamental challenge: how to deliver high-performing, sustainable workplaces within an increasingly constrained financial environment. The answer lies not in cutting quality, but in questioning convention. By differentiating between regulation and habit, encouraging lean and adaptive design, and fostering collaboration across the supply chain, we can create offices that are commercially viable, environmentally responsible and future-ready.

At exigere, we support our clients from the outset and throughout the project lifecycle, combining rigorous cost modelling with detailed design, cost and programme benchmarking through our digital platform. This is supported by strategic advice that ensures design ambition aligns with affordability.

Building smarter, not harder, must become the industry's collective goal. That means continuing to challenge the norm.

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