

The logo for FIS (Finishes & Interiors Sector) is displayed in a large, bold, white font with a black outline. The letters are stylized and blocky.

FINISHES & INTERIORS SECTOR

# Conflicting Trends: What to expect for the fit-out market in 2024

**Opening from the Chair:** Iain McIlwee, FIS Chief Executive

**The economic backdrop for fit-out understanding the upside and downside risks**  
Professor Noble Francis, Economics Director, Construction Products Association

**Planning applications and projects, what does the pipeline for fit-out look**  
Kelly Forrest, Consultant Economist, Barbour ABI

**How client requirements are impacting the market for fit-out**  
Jayson Crosley, Director, Turner & Townsend



**Iain McIlwee**  
Chief Executive, FIS



**Professor Noble Francis**  
Economics Director  
Construction Products  
Association

The economic backdrop for fit-out understanding the upside and downside risks

# CPA Outlook for the FIS

(27 February 2024)

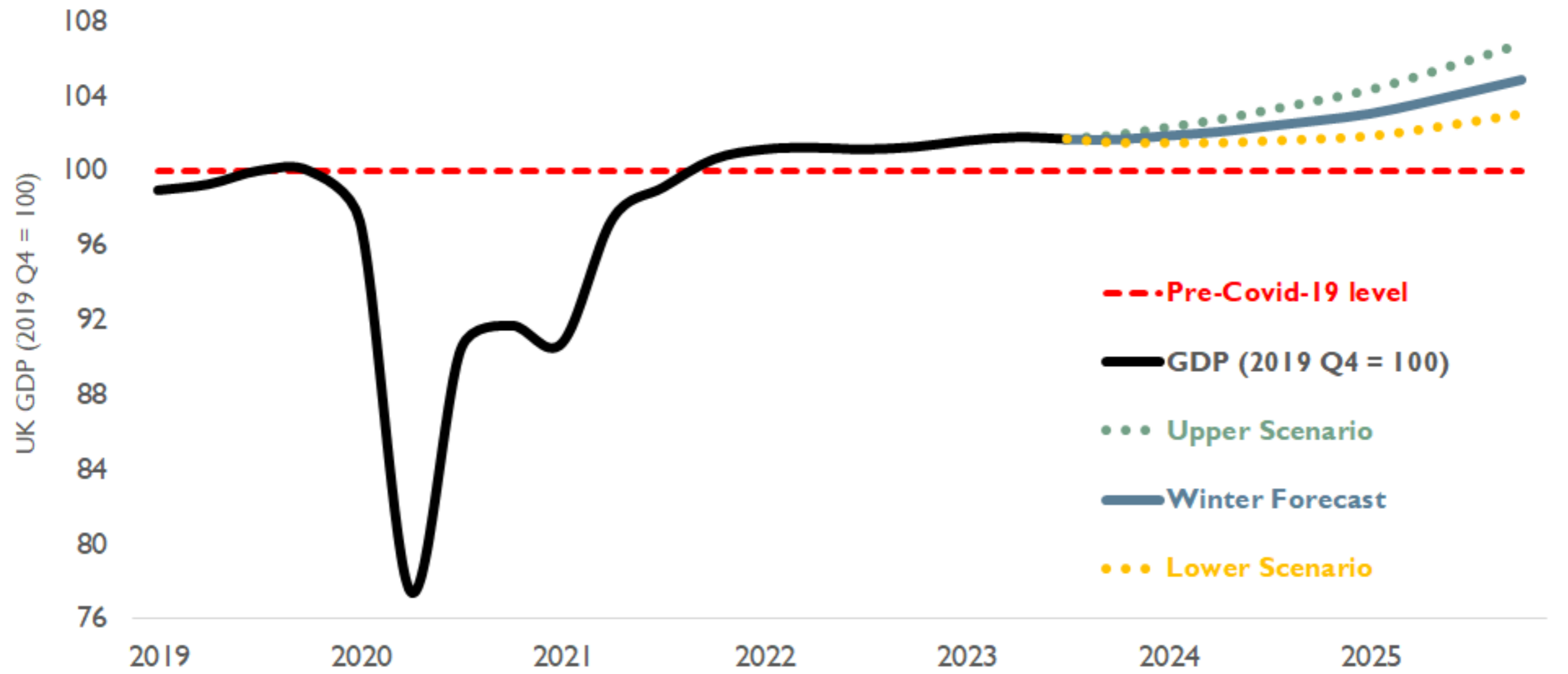


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# The UK Economy

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# Flatlining Economy & Only Marginal Growth in 2024



Source: ONS, CPA Estimates

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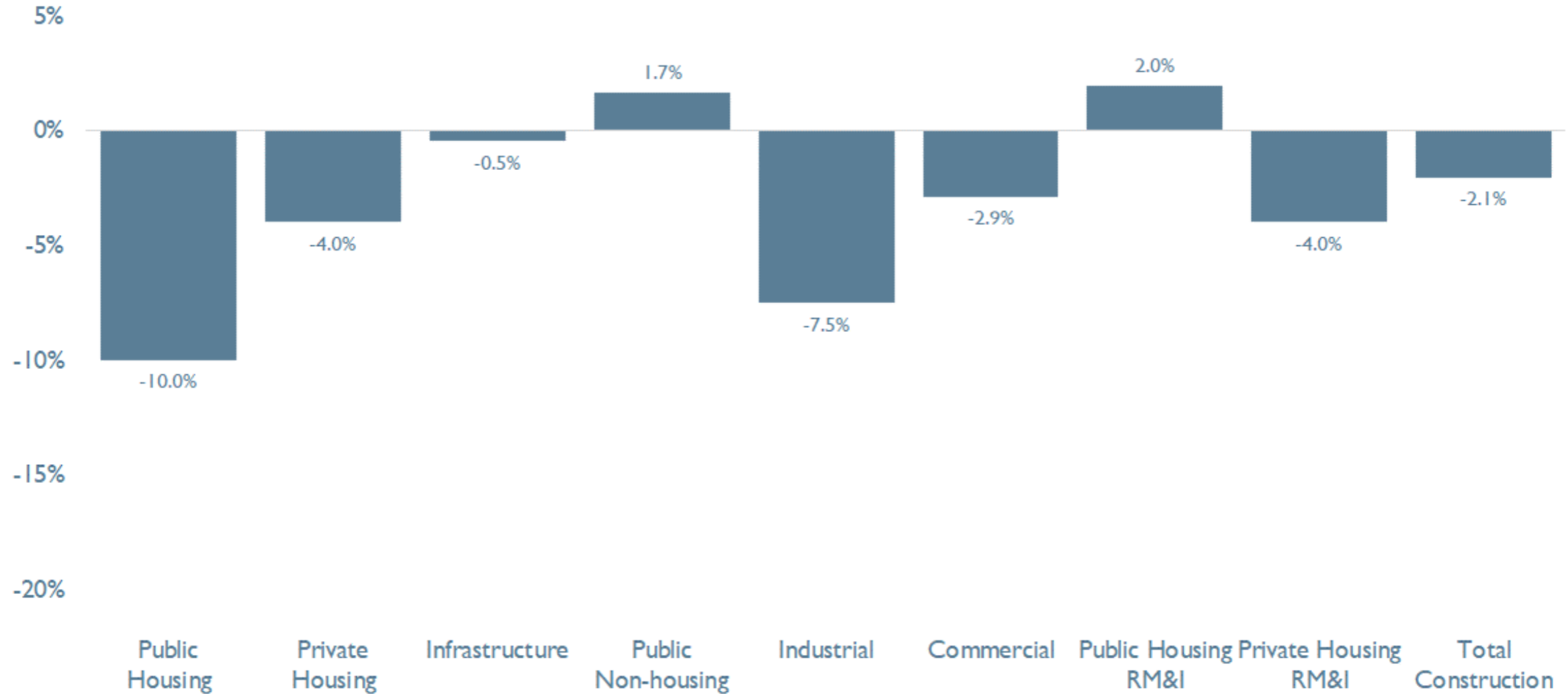
# Forecasts

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# Construction Forecasts For This Year

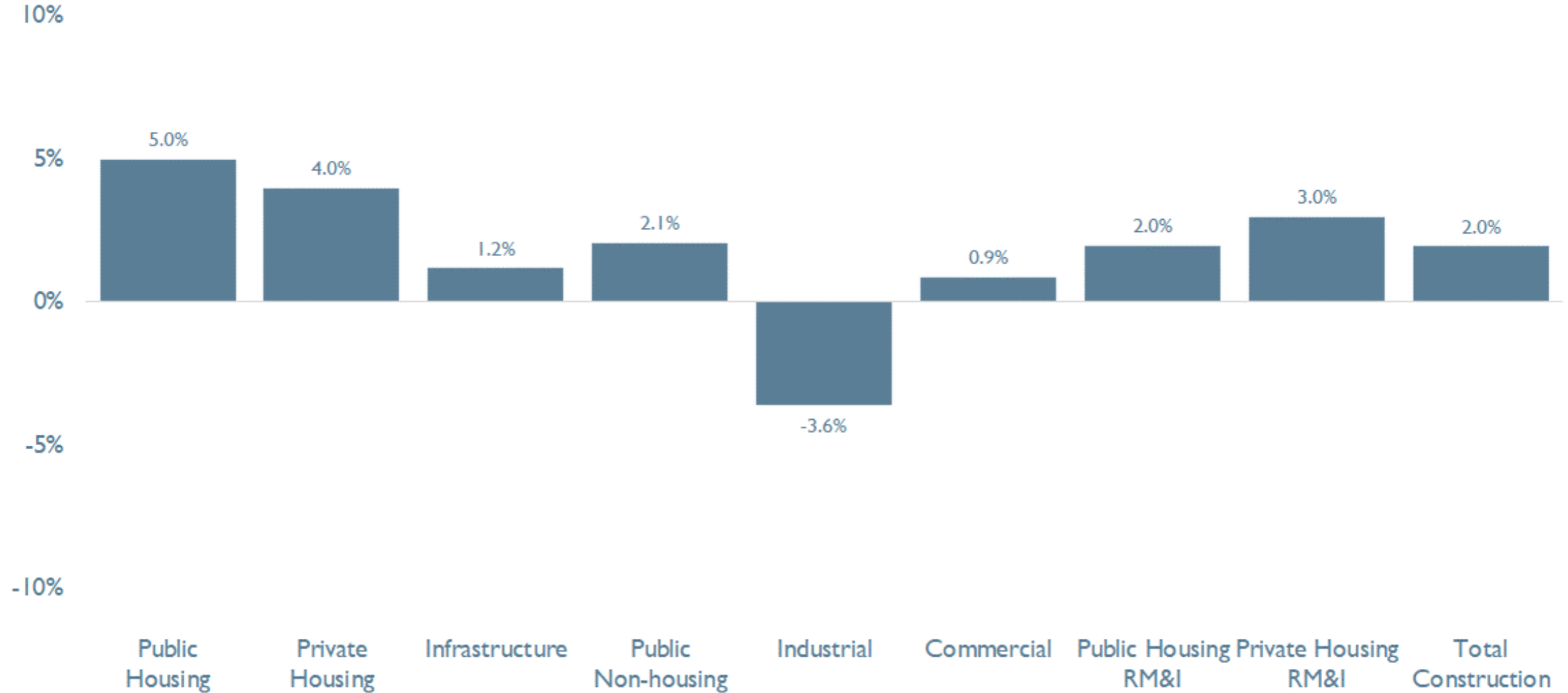
## CPA Construction Forecasts for 2024



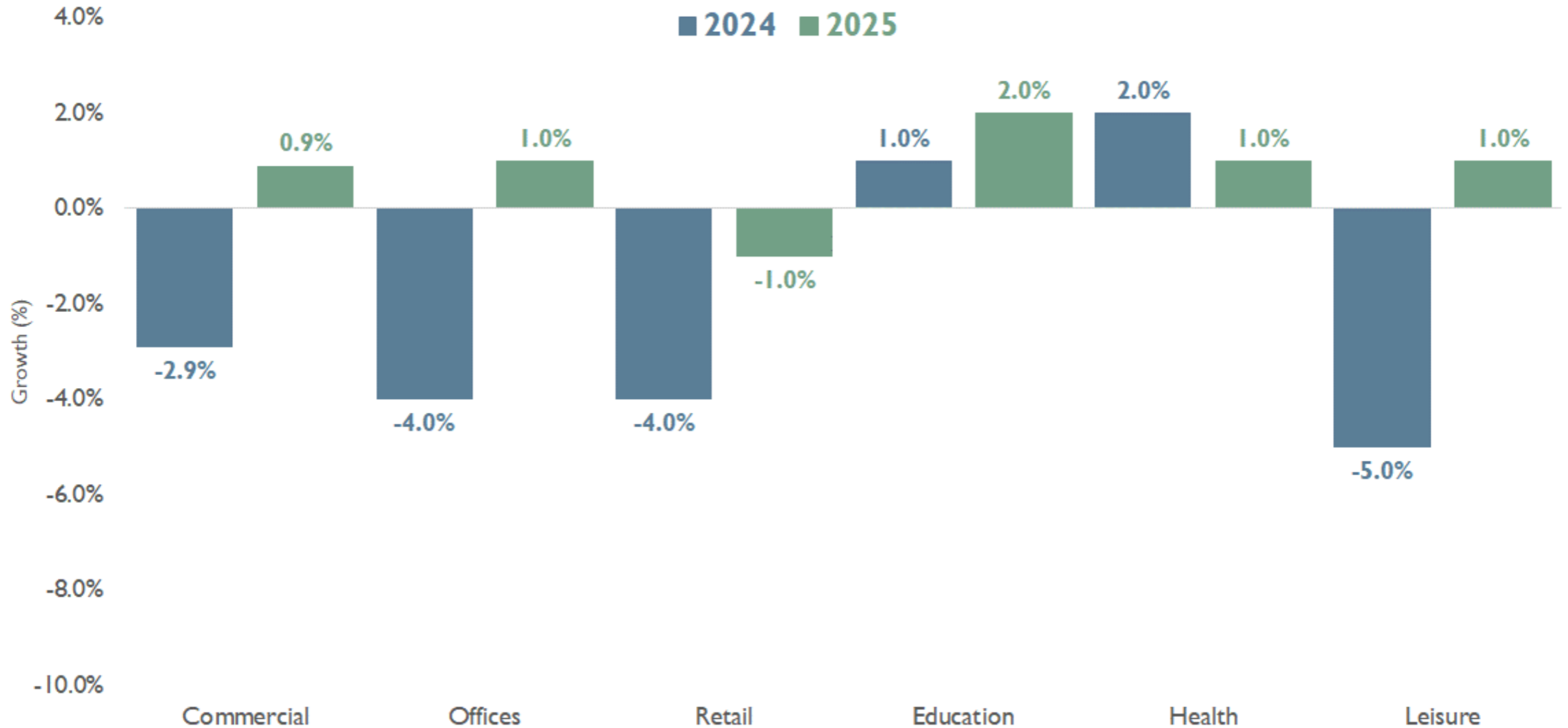
Source: CPA

# Construction Forecasts For Next Year

## CPA Construction Forecasts for 2025



# CPA Commercial Output Forecast



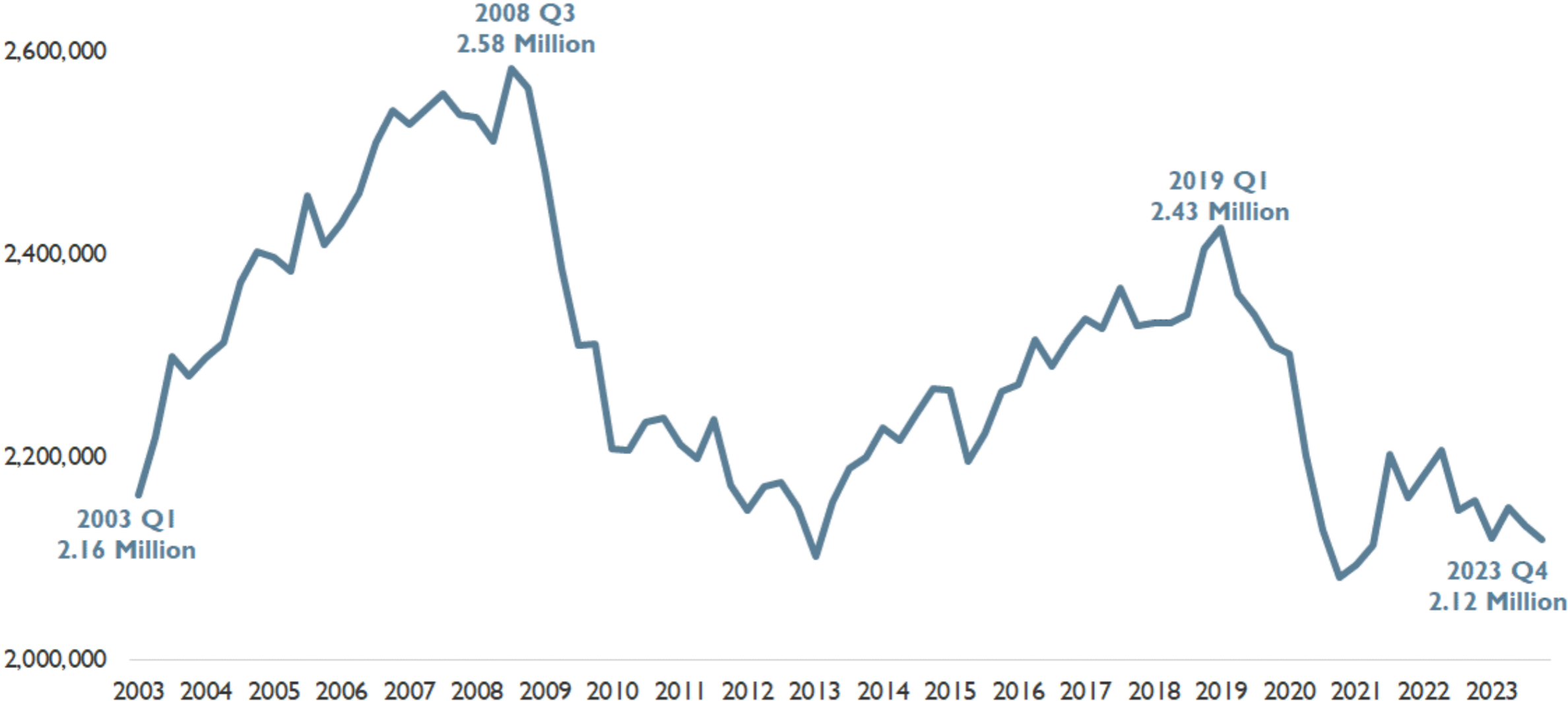
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# Key Risks

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# UK Construction is Rapidly Losing Workers

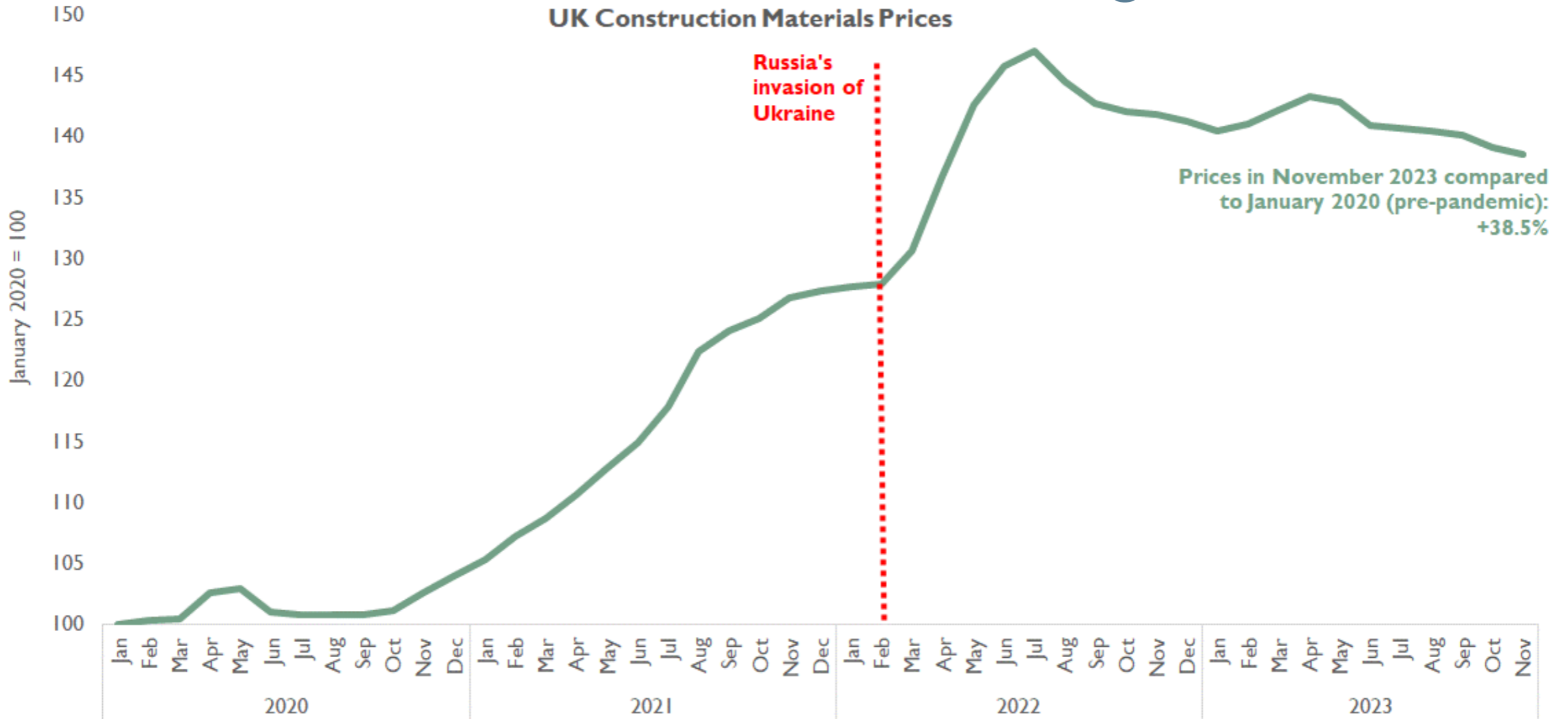
## Total Employment in UK Construction



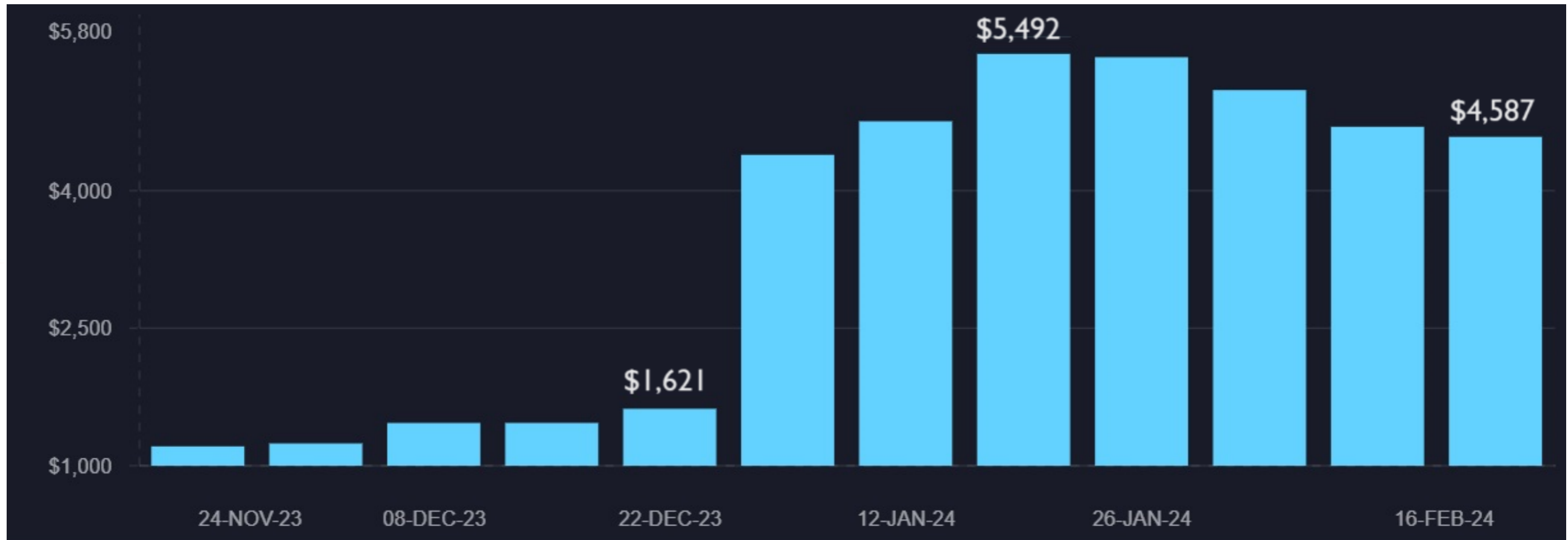
Source: ONS

# Materials Prices Remain High

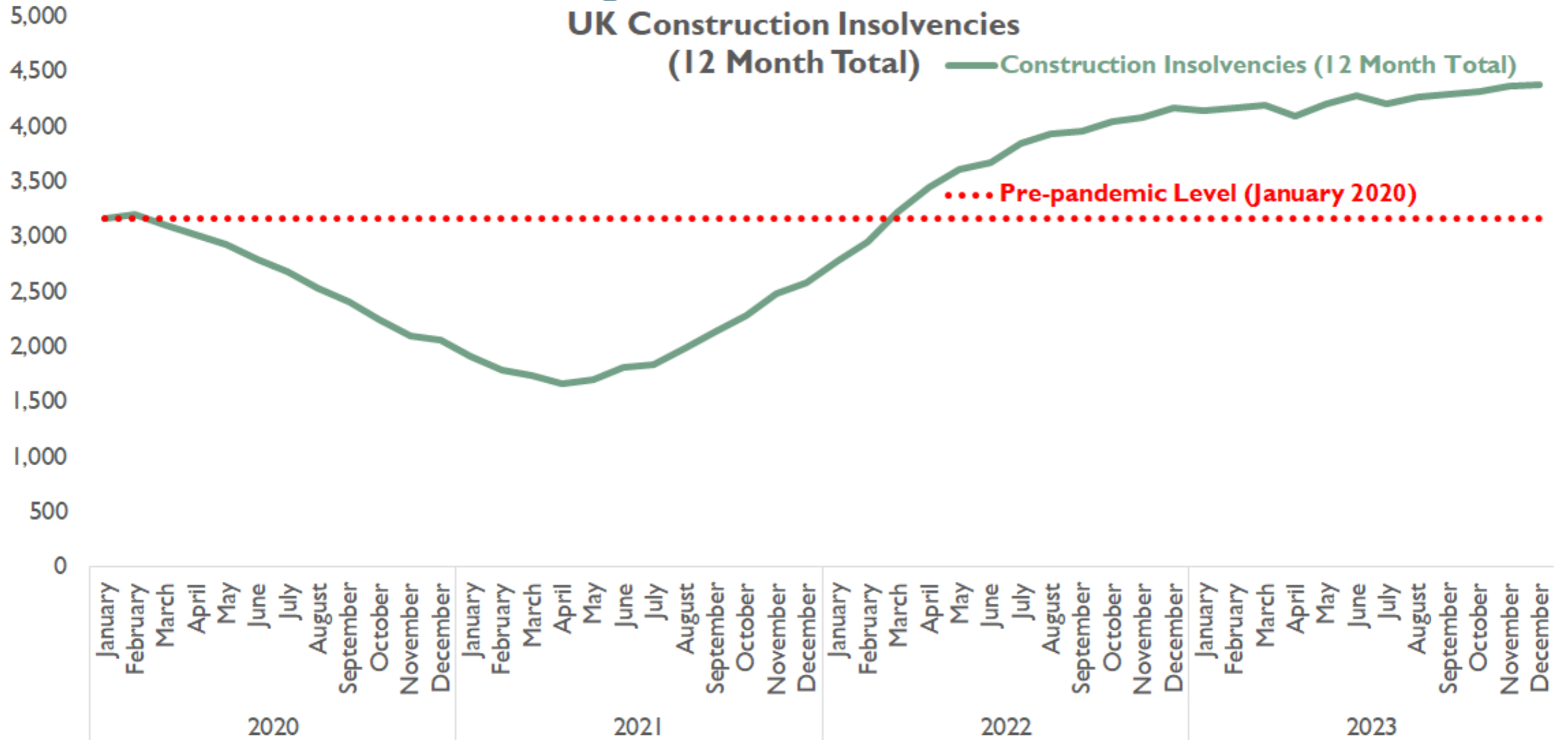
## UK Construction Materials Prices



# Red Sea Disruptions Mean Freight Prices From China Rose in January



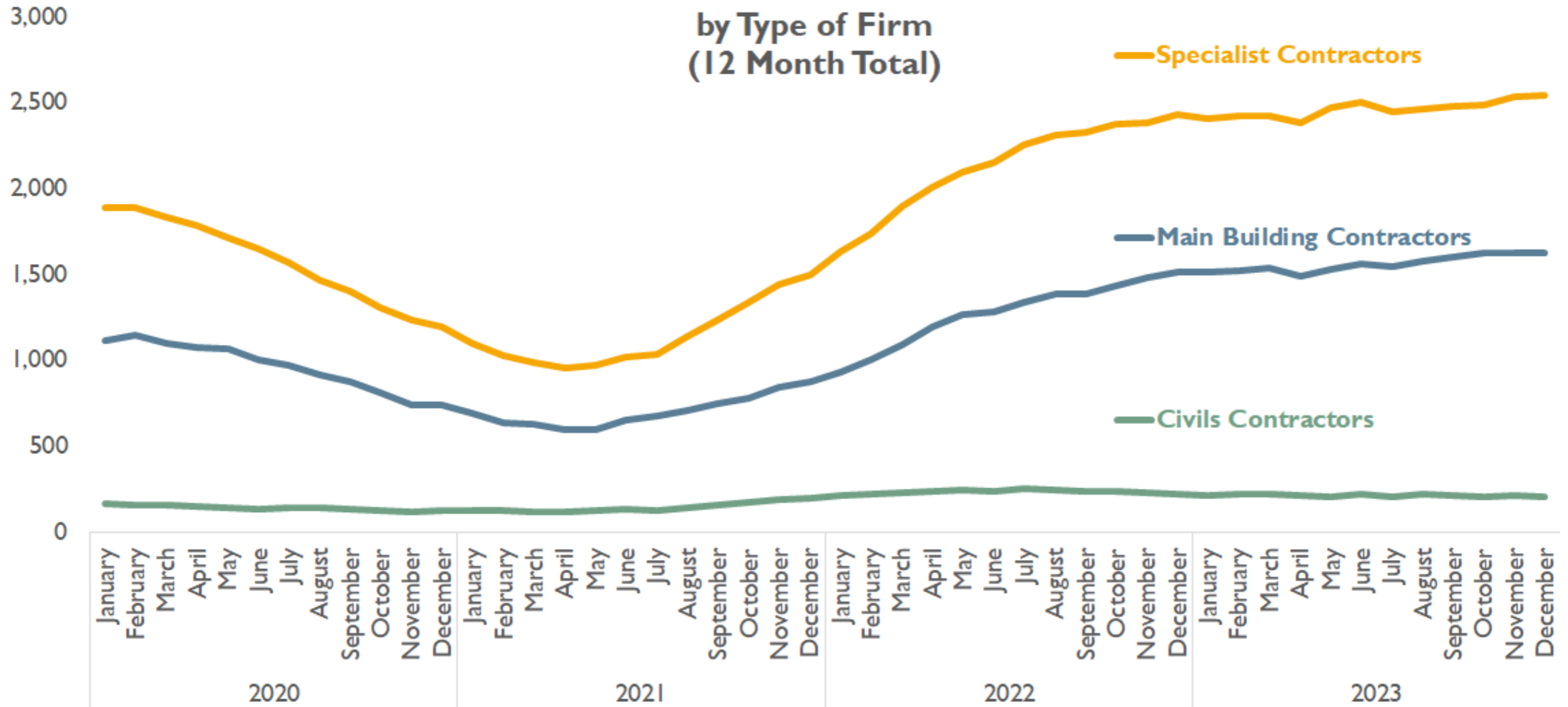
# Insolvencies at the Highest Level Since the Financial Crisis





# With Specialist Contractors Hardest Hit

UK Construction Insolvencies  
by Type of Firm  
(12 Month Total)



# Summary

- **Marginal economic growth this year before stronger growth in 2025**
- **Key areas of construction growth:**
  - Commercial refurb and fit-out
  - Biotech and data centres
  - Energy-efficiency
- **Long-term is even more positive :**
  - 'stranded assets' concern driving commercial refurb and fit-out
- **However, construction skills and insolvencies will be the key concerns**

## For Further Information:



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**Kate Perrin**

Group Marketing Director

Barbour ABI

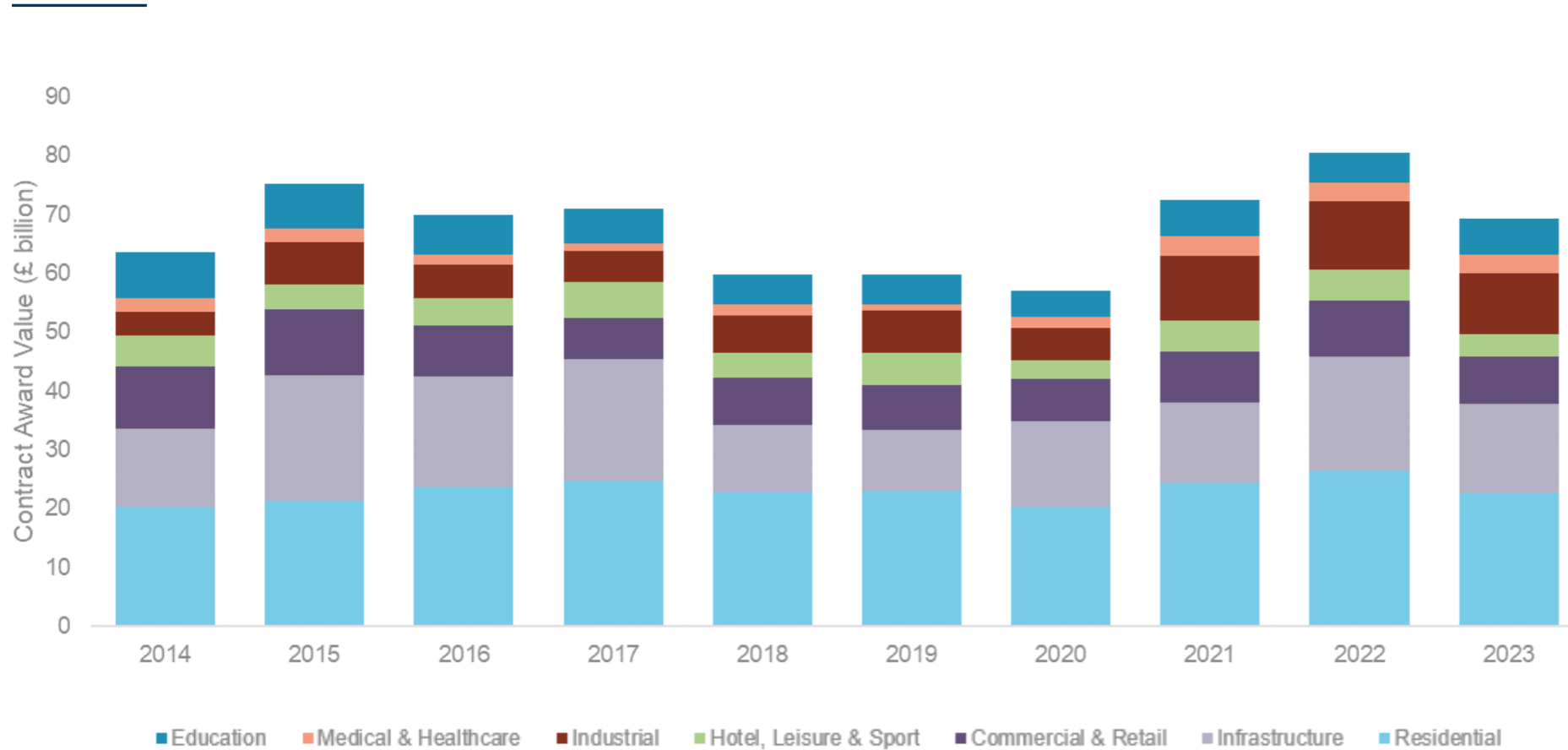
Planning applications and  
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# Offices project pipeline

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# 2023 – a challenging year for the industry



**-14%**

Contract awards down in 2023 due to private sector weakness

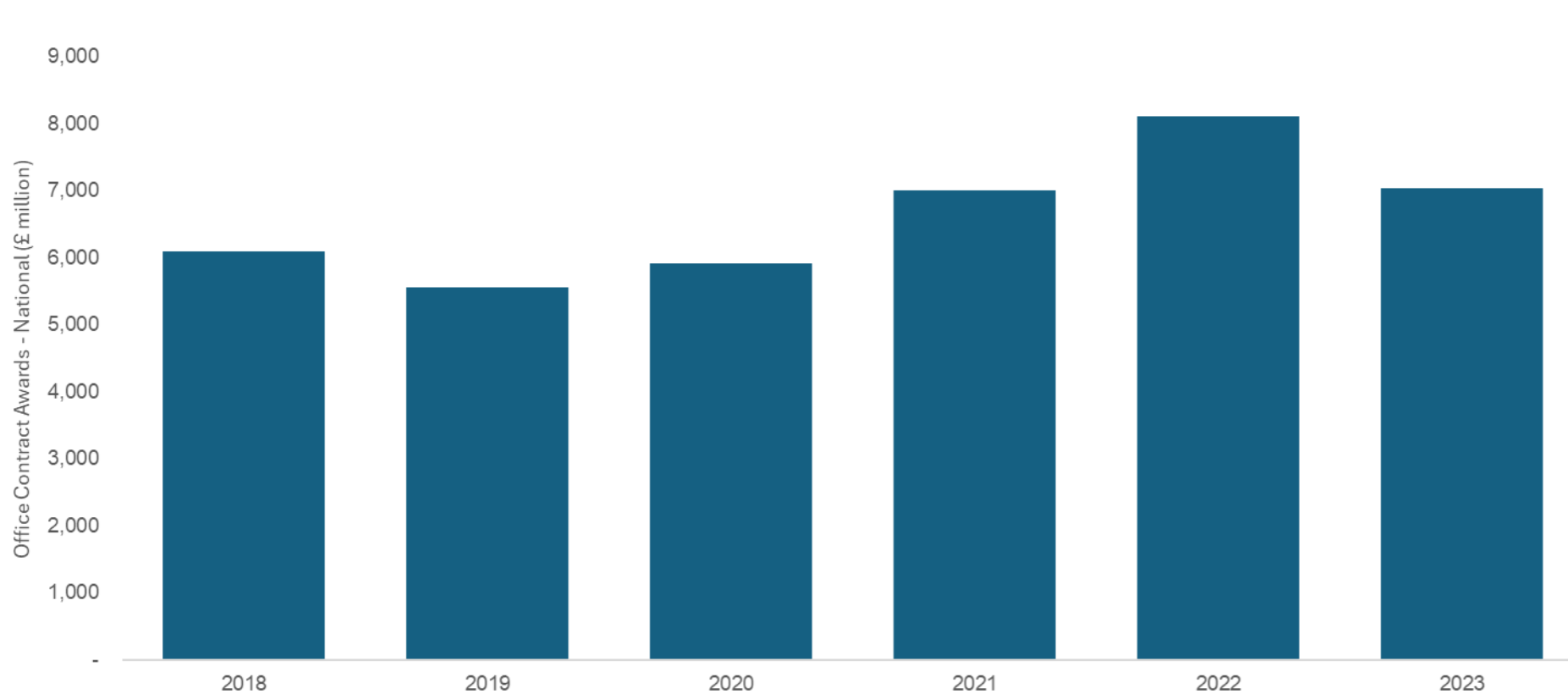
**-29%**

Hotels, leisure & sport weakest sector in 2023

**-15%**

Commercial & retail awards reduced from the 2022 high

# Office sector focus - National

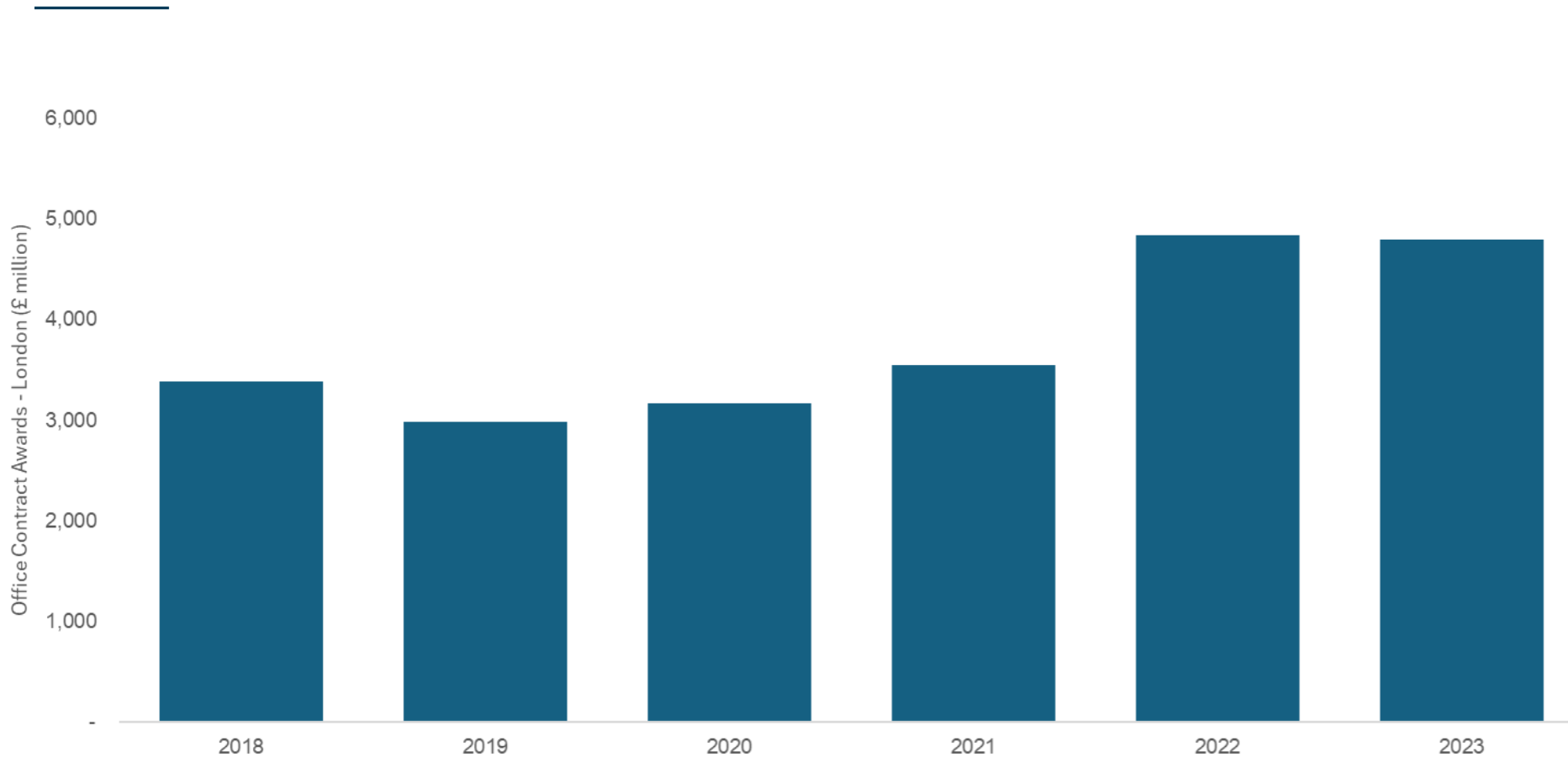


**-13%** Contract awards for office projects reduced nationally in 2023

**+16%** After rising in 2022

**+27%** But remained higher than in 2019

# London offices - momentum is building



-1%

London office contract awards were broadly stable in 2023

+36%

After bouncing back strongly in 2022

61%

Slower to recover initially but now significantly higher than 2019



# London – increasing market share



68%

London's share of offices output in 2023

56%

London's share of offices output in 2018

# London pipeline – refurbishment increasing

## Contract awards

	Project	Value
1	South Molton Triangle – mixed-use	£500m
2	Timber Square – Lavington House	£400m
3	Portland House refurbishment	£380m
4	Holborn Viaduct	£200m
5	216-220 Blackfriars Road	£160m
6	Telehouse South refurbishment	£158m
7	Belgrove House	£150m
8	1 Liverpool Street	£150m
9	Angel Square refurbishment	£150m
10	2 Aldermanbury Square	£130m

## Planning approvals

	Project	Value
1	55 Old Broad Street – partial refurbishment	£500m
2	Red Lion Court – partial refurbishment	£310m
3	1 Exchange Square - refurbishment	£200m
4	17 Columbus Courtyard - refurbishment	£200m
5	85 Gracechurch Street – partial refurbishment	£190m
6	Paris Gardens	£150m
7	Canada Water Dockside	£145m
8	Woolgate Exchange - refurbishment	£130m
9	Elephant Park H1	£110m
10	North Acton Road data centre	£100m

# Summary

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- Strong recovery relative to pre-pandemic
- Outlook is reasonably buoyant and expectations that interest rates will fall earlier than anticipated is good news for project viability
- Project values are generally higher due to construction cost inflation, along with specification and regulatory changes
- Refurbishment is becoming increasingly common in response to occupier demand and planning requirements
- Securing planning for major schemes in London can be problematic and lengthy (M&S and ITV)

# Contact us

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Why not contact a member of our team today and see how we can help your business.

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**SOCIAL MEDIA**





## **Jayson Crosley**

Director, Turner & Townsend

How client requirements are impacting the market for fit-out



# How client requirements are impacting the market for fit-out

Conflicting trends: What to expect for the fit-out market in 2024

27 February 2024

Turner &  
Townsend  
alinea

making the **difference**

# Where to begin...

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# Commons questions we face...

- Growing headcounts vs shorter leases: what considerations should I be making?
- Should I be integrating carbon into my capital planning process and how?
- How does the changing landscape of talent acquisition influence my spend profiles?
- Does my functional spend profile match the current and future market trend?

“Attracting talent, providing a best-in-class workspace and reducing our carbon footprint is a key objective for 2024”  
Global Investment Management Firm



## Workplace flexibility



Kit of parts

Furniture vs joinery

Fixed vs demountable

Future-proofing

Flood wiring

M&E capacity

## Targeted investment



Faster programmes

Labour requirements

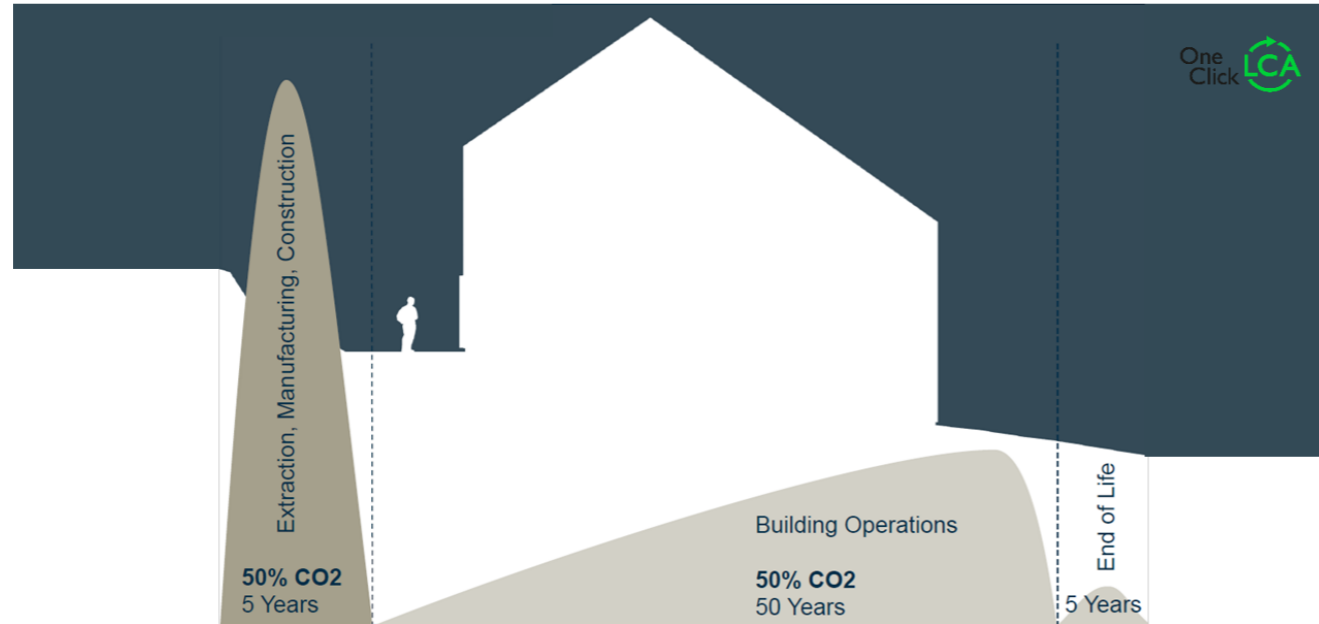
Supply chain relationships

## Late decision making



- **Growing headcounts vs shorter leases: what considerations should I be making?**
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## Embodied Carbon is Happening Now



Understand  
ESG and  
carbon  
objectives

Set your own  
objectives

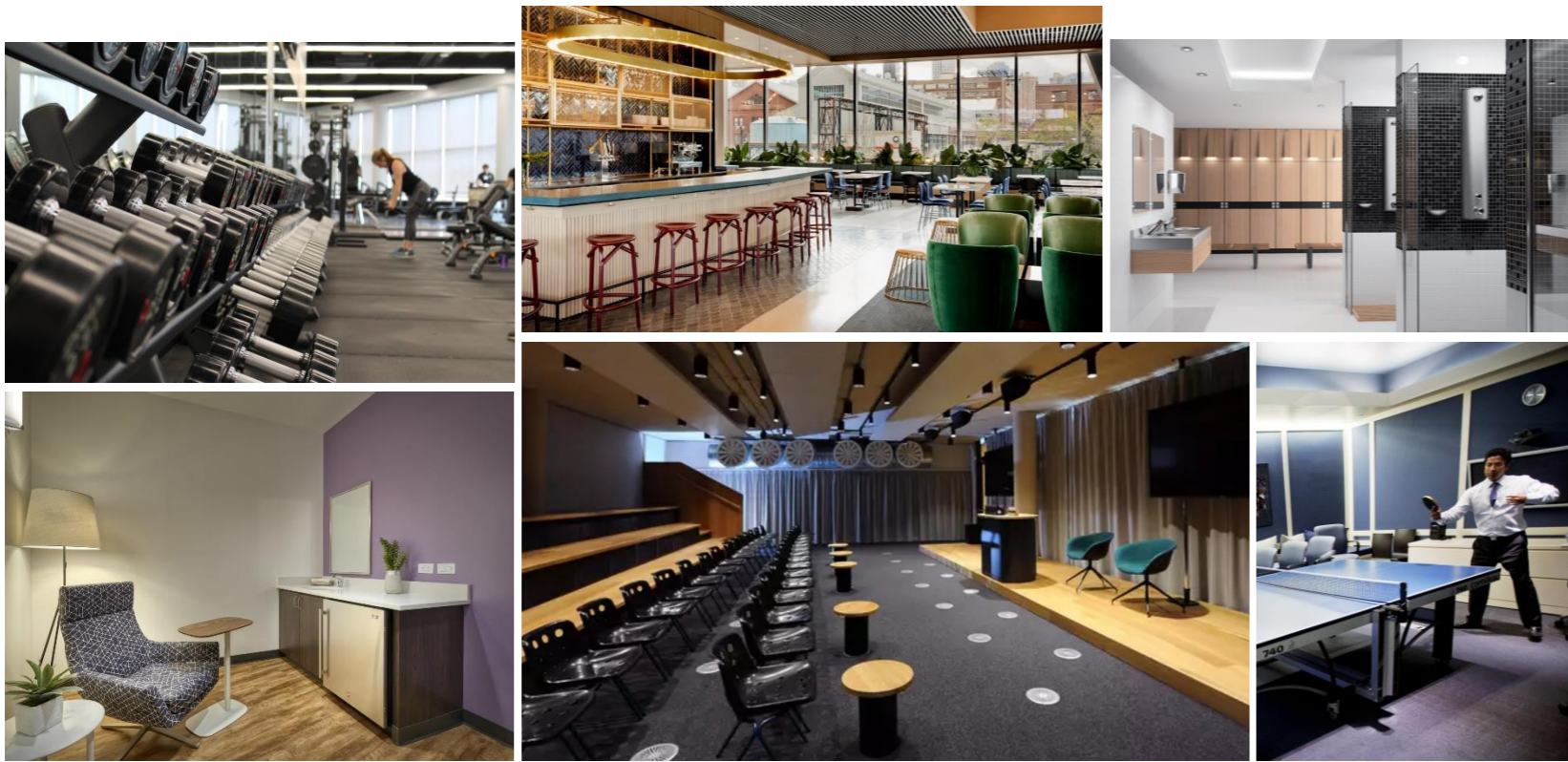
RE-USE  
RE-USE  
RE-USE

Advise on  
embodied  
carbon/offer  
alternatives

Skills  
development  
/ workforce  
attraction

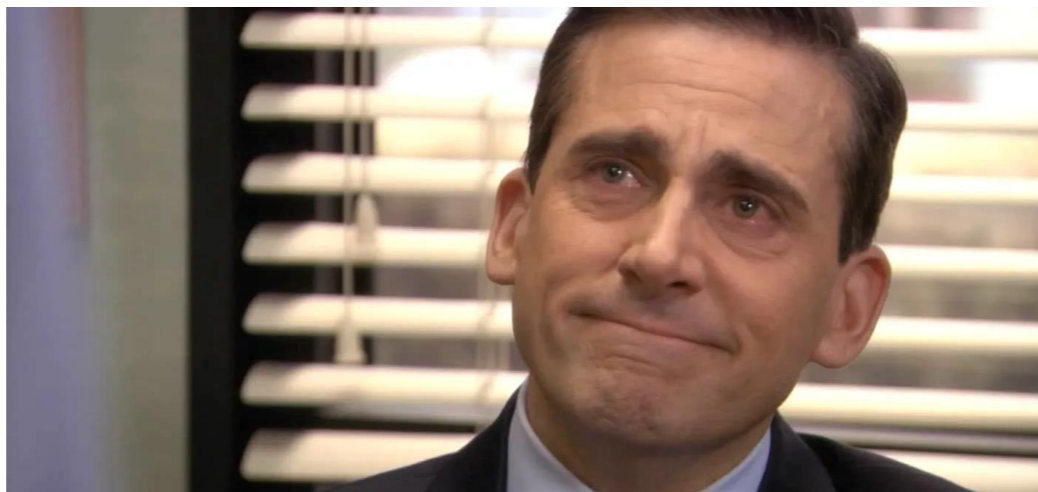
Support  
research and  
development

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It's so much more than just

*the*  
Office



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## How do we measure usage?



SMART buildings

Increased IT infrastructure



BIM & Digital twin

Design and supplier management

## How do we improve areas of poor usage?

Agile workplace

Greater prefabrication & leasing



Building modifications

Minor works divisions + OOH



Insight and best practices

Increased interaction with clients



- Growing headcounts vs shorter leases: what considerations should I be making?
- Should I be integrating carbon into my capital planning process and how?
- How does the changing landscape of talent acquisition influence my spend profiles?
- **Does my functional spend profile match the current and future market trend?**

# Where to end...

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# **FIS**

**FINISHES & INTERIORS SECTOR**

## **Panel Debate**



# **FIS**

**FINISHES & INTERIORS SECTOR**

**We'll be right back**