

Fire Safety and Asset Value: Managing Risk in UK Property

Executive Summary

Fire safety is not only a legal requirement but also a direct driver of property asset value. In the wake of Grenfell and the subsequent Building Safety Act 2022, properties with poor fire safety face increased insurance costs, reduced marketability, and heightened legal risks. This white paper explores how fire safety impacts asset valuations across residential, commercial, and mixed-use properties, and provides actionable recommendations for asset managers to safeguard both their investments and the lives of occupants.

The Fire Safety–Asset Value Connection

The economic and social cost of fire in England is estimated at £12 billion per year. The Grenfell Tower tragedy exposed systemic failures and sparked sweeping reforms such as the Building Safety Act 2022. Properties with inadequate fire safety face increased costs, regulatory enforcement, and reputational damage. Fire safety must be understood not just as compliance, but as central to protecting asset value.

Residential Properties

Residential fire safety deficiencies have become a defining issue in the UK. The cladding crisis has left thousands of flats unmortgageable, with remediation costs estimated at £15 billion. Buildings with combustible cladding have faced insurance premium hikes of over 1000%, reducing yields and valuations. Mortgage lenders require proof of fire safety (such as EWS1 certificates), and failure to demonstrate compliance can make properties difficult to sell.

Legal risks are significant: the Fire Safety Order 2005 and Building Safety Act 2022 impose strict duties on landlords and managers. Non-compliance can lead to unlimited fines or imprisonment. Tenant confidence is also critical: residents are increasingly unmaying to live in buildings known for fire hazards. Poor fire safety damages both income and reputation.

Commercial Properties

Commercial real estate faces different but equally serious fire safety risks. A prohibition notice can shut down an office, hotel, or shopping centre overnight, cutting off rental income. Insurers may refuse to pay out if negligence contributed to a fire. Fines for breaches can run into hundreds of thousands of pounds, with reputational fallout deterring tenants and investors.

Insurance costs are a recurring burden: unsafe properties pay far higher premiums, while buildings with sprinklers or modern systems enjoy significant discounts. Corporate tenants increasingly demand evidence of compliance, tying fire safety to ESG standards and tenant retention.

Mixed-Use Properties

Mixed-use developments bring compounded risks. Restaurants or retail units below flats introduce fire loads that threaten residents above. Multiple Responsible Persons can create gaps in oversight, leaving safety systems uncoordinated. Failures in one part of the property can compromise the entire building.

Regulatory complexity is high: residential sections fall under the Fire Safety (England) Regulations 2022, while commercial sections must comply with the Fire Safety Order. Insurers evaluate the whole building, so one high-risk tenant can drive premiums up for all. Reputation and community impact also matter: repeated alarms or incidents can drive tenants away and depress valuations.

Actionable Recommendations

Residential

- Commission annual fire risk assessments and remediate hazards promptly.
- Upgrade fire safety systems including sprinklers and alarms.
- Maintain compliance records and communicate with residents transparently.
- Budget for long-term safety upgrades and access government remediation schemes.

Commercial

- Carry out regular risk assessments and keep detailed records.
- Install and maintain fire suppression and detection systems.

- Train staff and tenants in fire safety procedures and evacuation drills.
- Engage external fire safety consultants to identify hidden risks.

Mixed-Use

- Develop a unified fire safety strategy across all occupancies.
- Clarify roles of Responsible Persons and hold joint drills.
- Prioritise high-risk areas such as restaurants and kitchens.
- Ensure insurance policies cover both residential and commercial risks adequately.

Conclusion

Fire safety is both a compliance duty and a strategic investment. Residential assets with strong safety measures are more marketable and insurable. Commercial assets with robust compliance attract tenants and maintain yields. Mixed-use assets require coordinated strategies to protect all occupants and the asset's value. In the UK's evolving regulatory environment, ignoring fire safety is not an option. It is central to safeguarding lives, reputations, and long-term portfolio performance.

References



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