

# **Heathrow Airport – Property Rents 2019/20**

## Decision Document

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Prepared by: Heathrow Airport Limited

Status: Final

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## 1.0 Introduction and Consultation Programme

### Purpose

- 1.1 Heathrow Airport Limited (Heathrow) has reviewed the Property Rental Guide Prices for 2019/20. The purpose of this document is to set out Heathrow's decision.
- 1.2 Heathrow has increased the Guide Price Rents by 1.95% for 2019/20.
- 1.3 The 2019/20 Rental Guidelines are effective from 1<sup>st</sup> April 2019.

### Background

- 1.4 Since 1996 Heathrow has had a list of published Guide Prices. The Guide Prices are either a band or spot rent for most standard property products.
- 1.5 Since 1996, Guide Prices have been adjusted by the percentage change in a rental formula, which is applied annually to the Guide Prices which was consulted.
- 1.6 In consultation with the AOC Rents Group the tariff rents were simplified in 2008 and the formula has evolved since it was first introduced.
- 1.7 The components of the current formula, revised in 2002, are as follows:
  - Passenger Numbers.
  - Retail Price Index.
  - Investment Property Databank (IPD) Annual Property Index – the average of Central, Outer and West of London Office Indices.
- 1.8 The formula gives equal weighting to each component.
- 1.9 The formula seeks to provide consistent growth flattening the peaks and troughs associated with the external property market.
- 1.10 Desk licence fees are reviewed bi-annually on the same basis as rents. They were last reviewed in 2018 and therefore remain unchanged this year.
- 1.11 The consultation sought views on increasing rents by 1.95%

### Consultation Programme

- 1.12 The consultation was launched on 6 June 2019 with the publication of the Consultation Document. An open consultation meeting was held on 25 June 2019 to seek feedback on the proposals.
- 1.13 The consultation documents along with copy of the presentation from the consultation meeting have been available on the Heathrow website. Heathrow communicated the consultation documents and an invitation to a consultation meeting to property users and the AOC via an e-mail communication sent out on 6 June 2019.

1.14 The Consultation programme followed by Heathrow was:

<b>Date</b>	<b>Milestone</b>
6 June 2019	Heathrow publish consultation document on Heathrow 2018/19 rental proposals
25 June 2019	Consultation meeting.
26 July 2019	Property customer written responses due
02 August 2019	Heathrow publishes 2019/20 rents effective from 1 <sup>st</sup> April 2019

### **Further Information**

1.15 This document informs all users of Heathrow's decision and concludes this Consultation on Heathrow Property Guide Price Rents 2018/20.

1.16 If you have any questions on the decision, please contact:

Heathrow Property Department  
 Heathrow Airport Ltd  
 The Compass Centre  
 Nelson Road  
 Hounslow  
 Middlesex  
 TW6 2GW

E-mail: [property@heathrow.com](mailto:property@heathrow.com)

## **2.0 Review of Responses and Decision**

2.1 The comments received during the consultation meeting held on 25 June 2019 are set out in the minutes, including a list of attendees, attached at Appendix 1. The comments had no direct bearing on the Guide Price proposals and responses will be provided separately.

## **3.0 Summary of Decision**

3.1 The decision is to increase the Rental Guide Prices by the 1.95% calculated using the rental formula, with effect from 1 April 2019.

3.2 A full schedule of the rents is attached at Appendix 2.

## **4.0 Implementation Timescale**

4.1 The 2019/20 Guide Prices are effective from 1 April 2019 and will be implemented immediately for any property rental transactions effective from this date.

## 5.0 List of Respondents

5.1 Responses were made during the consultation meeting, specific comments came from, or on behalf of:

Heathrow AOC/British Airways

Lambert Smith Hampton

Aviation Fuel Services Ltd

## Appendix 1 – Guide Price Rents 2019/20 Consultation Meeting Minutes

Meeting subject: Heathrow Guide Price Rents 2019/20 Consultation Meeting

Meeting location: Hyatt Place Heathrow, Bath Road - Meeting Place 2

Date/Time: 25 June 2019 10:00 – 12:00 hours

Present:

Roberto Segala (RS)	Heathrow Airport Ltd
Chris Fenwick (CF)	Heathrow Airport Ltd
Andrew Gilling (AG)	Heathrow AOC/British Airways
Annabel Oakley (AO)	Cushman & Wakefield for British Airways
Clive Redding (CR)	LSH (Proxy Virgin Atlantic, Menzies and DNATA)
Chris Devereux (CD)	Aviation Fuel Services Ltd
Neil Leighton (NL)	Aviation Fuel Services Ltd
Corine Darreuyre (CD)	Avianca Gerente de Aeropuerto

RS and CF representing the HAL Property team introduced themselves to the attendees on arrival and RS opened the meeting and welcomed everyone to the 2019/20 Rents Consultation.

### AGENDA ITEMS:

- Overview of Rents Consultation
- Consultation Timetable
- Guide Price Formula
- 2019/20 Guide Price Change
- Terminal 2 Guide Prices

RS advised that he would be happy to answer any questions during or after the presentation.

### 1. Overview

RS explained that the Guide Price rates apply mainly to standard types of accommodation (e.g. lounges, offices, ramp, etc.) while many of the buildings in the CTA and Perimeter have a more specialised type of use where rents are determined by market value/RPI etc subject to individual property contracts.

RS gave an overview of the consultation, outlining that this is for the 2019/20 Guide Price change in line with previously agreed formulas under the regulatory period which had been now been extended to 2021. RS highlighted that the desk frontage rates will not change as the normal 2-year cycle saw them uplifted in 2018/19 and therefore do not form part of this year consultation. He also confirmed that T2 Guide Prices retain the 4% discount for 2019/20.

**2. Timetable**

RS confirmed the consultation started on 6<sup>th</sup> June 2019 with Property publishing on the Heathrow website the consultation paper on 2019/20 rental proposals. The closing date for any written customer responses is 26<sup>th</sup> July 2019 with the 2019/20 guide price rents being confirmed on 2<sup>nd</sup> August 2019 effective from 1<sup>st</sup> April 2019.

RS explained that over the last few years the consultation period had been shortened and again brought forward further this year with Guide Price publication due for the 2<sup>nd</sup> August. There is some delay beyond the April effective date driven by the data making up the formula being published but subject to this bringing forward the consultation and publication is based on feedback received from the AOC and the tenants in previous consultations to mitigate such overall delay.

**3. Formula**

RS presented the formula that has been used to calculate the 2019/20 guide price rents using Passenger numbers (Year to December 2018), RPI (December 2018) and the Investment Property Databank (IPD) indices for Central, Outer and West London (April 2019) all to create a 'smoothed' average index increment.

RS then presented the formula calculation for 2019/20 which generated a +1.95% change.

RS used a graph plotting the changes in passenger numbers, RPI, IPD and the Guide Price since 1996 which illustrated the effect of the formula in plotting a steady change in rents avoiding the peaks and troughs of the off-airport property market.

The change in guide prices over the last few years would mean the following increases:

1 year increase: +1.95%  
 2 year increase: +4.95%  
 3 year increase: +7.98%

*AG queried which type of agreements attracted the respective increment periods – RS agreed to investigate and advise the participants separately post meeting*

**4. Guide Price Changes**

RS advised how the T4 CIP rent is used as a baseline to analyse the bi-annual and 3 yearly % Guide Price change. This rent is used as it has been consistent and was not varied during the rent rebasing in 2008.

**5. Terminal 2 Guide Price Rents**

RS advised that the T2 Guide Prices were consulted on in 2013 and were incorporated into the Guide Prices from 1 April 2014. He confirmed that the 4% discount which is applied until key infrastructure projects have been completed will continue for 2019/20. This infrastructure includes the through taxiway, 2 additional stands, T2 baggage system and the T2A to T2B Track Transit System. RS referred participants to Table 1 in the 6<sup>th</sup> schedule to the Consultation Document available on the Heathrow website.

*AG & CR queried the delivery time frames and requested additional information in respect of the 3 areas of infrastructure. RS to ascertain additional detail and respond separately post meeting.*

**6. AOB**

Aviation Fuel Services asked for information on the project for Stand 574 saying that they have not been contacted by the project team. RS said that he will seek more information on the current status of the project.

RS asked if there were any other questions or comments, none were made by the attendees.

RS then closed the meeting and confirmed that the deadline for any written responses to the consultation document is 26<sup>th</sup> July 2019 and that minutes would be circulated. He asked that if anyone has any other questions to please get in touch.

The Guide Prices are due to be published on 2<sup>nd</sup> August 2019 and an email will be circulated to advise when this has happened.

END

## Appendix 2 – Heathrow Rental Guide Prices 2019/20

Heathrow Airport Rental Guide Prices - 2019/20 (Effective 1st April 2019)	2019/20			
	Rent £ sq ft per annum		Rent £ sq M per annum	
	Min	Max	Min	Max
<b>Terminal 1</b>				
Piers - standard ramp	£43.35	£51.32	£466.58	£552.41
<b>Terminal 2</b>				
CIP - T2A		£91.55		£985.41
CIP - T2B		£86.98		£936.23
T2A - Landside offices/support accom		£80.25		£863.79
T2A - Airside offices/support accom		£65.99		£710.28
T2A - Airside apron level support accom (Ramp)		£51.74		£556.90
T2B - Apron level support accom (Ramp)		£51.32		£552.41
<b>Terminal 3</b>				
North Wing		£69.35		£746.52
South Wing		£77.05		£829.31
East Wing		£74.56		£802.59
Departures ground floor R/O check-in		£58.96		£634.65
Departures ground floor off back corridor		£52.02		£559.89
Infill Offices		£77.05		£829.31
CIP - Departures		£86.71		£933.35
CIP - Arrivals	£82.35	£86.71	£886.36	£933.35
Piers - standard ramp	£43.35	£51.32	£466.58	£552.41
<b>Building 820</b>				
First and Second Floor		£61.68		£663.87
Ground Floor		£65.02		£699.86
Bays		£40.43		£435.15
<b>D'Albiac House</b>				
Bays		£36.39		£391.67
Offices (Outer offices)		£55.84		£601.09
Offices (Inner offices)		£54.28		£584.24
<b>Terminal 4</b>				
NE Extension, Balcony		£77.05		£829.31
Departures rear of check in		£58.96		£634.65
Mezzanine airside		£55.50		£597.41
Standard ramp	£43.35	£51.32	£466.58	£552.41
CIP		£86.71		£933.35
<b>Terminal 5</b>				
CIP - T5A		£95.36		£1,026.47
CIP - T5B/C		£90.60		£975.24
T5A - Landside offices/support accom		£83.59		£899.79
T5A - Airside offices/support accom		£68.74		£739.88
T5A - Airside apron level support accom (Ramp)		£53.89		£580.10
T5B/C - Airside offices/support accom		£65.47		£704.71
T5B/C - Apron level support accom (Ramp)		£52.61		£566.26
<b>Desk Frontage Rates - All Terminals</b>				
Check-In		£598.38		£1,963.15
Sales and Reservation		£1,238.91		£4,064.61
Transfer		£598.38		£1,963.15
Information		£918.66		£3,013.93
Unless otherwise stated:				
The rents are exclusive of Maintenance Rent and Heating Rent or Service Charge.				
All rents (except CIP) assume measurement based on net internal area.				
A discount of 10% is given for No Natural Light, unless all the accommodation in the category has no natural light.				
Where there is a price range, actual charge will be based on the overall quality and location of accommodation.				
Typically, new build will be at the top of range.				