

Heathrow Airport – Property

Guide Price Rents 2013/14

Date: 27th September 2013

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 Guidelines for 2013/14. The purpose of this document is to set out Heathrow's decision.
- 1.2 Heathrow has increased the Guide Price Rents by 2.09% for 2013/14.
- 1.3 The 2013/14 Rental Guidelines are effective from 1st April 2013.

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 the majority of 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 with the AOC Rents Group.
- 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 (see Appendix 1 for the geographical area).
- 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, the next review is 2014.
- 1.11 The consultation sought views on increasing rents by 2.09%

Consultation Programme

- 1.12 The consultation was launched on 5th July 2013 with the publication of the Consultation Document. An open consultation meeting was held on 15th August 2013 to seek feedback on the proposals.
- 1.13 The consultation documents along with minutes from the consultation meeting have been available on the Heathrow website. Heathrow communicated the consultation documents to property users and the AOC via an e-mail communication sent out on 5th July 2013. A subsequent e-mail was circulated on 10th July 2013 to the same recipients reminding them of the consultation meeting on the 15th August 2013.

1.14 The Consultation programme Heathrow has followed is:

Date	Milestone
5 th July 2013	Heathrow publish consultation document on Heathrow 2013/14 rental proposals
15 th August 2013	Consultation meeting
13 th September 2013	Property customer written responses due
27 th September 2013	Heathrow publishes 2013/14 rents effective from 1 st April 2013

Further Information

1.15 This document informs all users of Heathrow's decision and concludes this Consultation on Heathrow Property Guide Price Rents 2013/14.

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

2.0 Review of Responses and Decision

2.1 Apart from the comments received during the consultation meeting held on 15th August 2013 (A copy of the minutes, including a list of attendees, is attached at Appendix 1) there was one response received from Singapore Airlines.

2.2 A summary of the responses, together with Heathrow's response is set out below.

User Comment	Heathrow Response
How will the proposed increase in Guide Prices affect the rent I pay on my existing accommodation?	The Guide Prices will apply where there is a rent review (usually 3 yearly) in the property agreement or where there is a new letting.
Why do "check-in" frontage rates appear in the Guide Prices given they are not let by Property?	The frontage rates for "check-in" are used as part of the overall check-in charge and are reviewed every 2 years. The next review of desk charges will be in 2014/15.
Will Heathrow be reviewing the rental formula as it now consults with the wider airport community, including operational tenants other than airlines, who were not involved in the original rent guideline discussions.	Heathrow has no current plans to review the make-up of the Guide Price formula. The formula is part of Heathrow's Q6 submission.
What is the process for changing the rental	Any suggestions should be made in writing

formula which determines the Heathrow Guide Prices, in particular the relevant geographical areas from which the IPD figures are collated.	however because Heathrow is regulated and forecasts income over a 5 year regulatory period any change would need to be looked at in this context.
Are the 2013/14 Rental Guide Prices relevant to T2.	The Guide Prices for T2 track the main Guide Prices and will be added to the main Guide Price schedule in 2014 when the Terminal opens.

3.0 Summary of Decision

- 3.1 The decision is to increase the Rental Guide Prices by the 2.09%, calculated using the rental formula, with effect from 1st April 2013
- 3.2 A full schedule of the rents is attached at Appendix 2.

4.0 Implementation Timescale

- 4.1 The 2013/14 Guide Prices are effective from 1st April 2013 and will be implemented immediately for any property rental transactions effective from this date.

5.0 List of Respondents

- 5.1 Apart from the comments received at the consultation meeting Heathrow received one response from Singapore Airlines.

Appendix 1 – Guide Price Rents 2013/14 Consultation Meeting Minutes

15th August 2013

Meeting title/subject: 2013/14 Heathrow Guide Price Rents Consultation

Meeting location: Hong Kong Meeting Room, Compass Centre

Present:

John Arbuckle (JA)	Heathrow Airport
Pauline Sharkey (PS)	Heathrow Airport - Minutes
Clive Redding (CR)	LSH on behalf of Virgin Atlantic Airways and DNATA
Andrew Gilling (AG)	AOC Rents Group
Kevin Jones (KJ)	Malaysia Airways
Caroline Dzanob (CD)	PHE
Laura Halle (LH)	CBRE on behalf of British Airways and Singapore
Kibae Kim (KK)	Asiana Airlines
Karen Ehrhart (KE)	CAA
Yiorgos Peroutseas (YP)	Yotel

<i>Minutes:</i>	<i>Action</i>
<p>1. Introduction to Consultation</p> <p>JA welcomed everyone to the consultation meeting to review and discuss the Heathrow Property Rents 2013/2014 Consultation Document.</p> <p>JA recapped on the Property Rents Consultation process for 2013/2014, explaining that the purpose was to set out Heathrow's annual proposal for the level of property rents and invite Heathrow property users to provide views on the proposal.</p> <p>JA reminded all attendees that the closing date for written comments is 13th September 2013. Heathrow will publish the outcome of the consultation by 27th September 2013.</p> <p>JA said he would take everyone through the consultation document and invited questions.</p> <p>AG raised on behalf of the General Secretary of the AOC (Jim Hunter) whether Heathrow intended to issue Minutes for the Meeting given that none had been produced following last year's meeting. JA confirmed it was Heathrow's intention to distribute Minutes. JA talked through the Property Rents Consultation document, outlining Heathrow's proposal to increase property rents for 2013/2014.</p> <p>JA explained that Heathrow is proposing to increase property rents for 2013/2014, the rental formula has produced an overall increase of +2.09% for 2013/14 over 2012/13.</p>	

<i>Minutes:</i>	<i>Action</i>														
<p>2. Consultation Responses</p> <p>AG queried the inclusion of “Check In” Desk frontage rates in this year’s guide prices as Check In Desks were not let by Property and charged based on CUTE. JA confirmed this point and clarified that the consultation document includes the guide price schedules which contains all guide prices and non check-in desk licence fees; however as non check-in desk licence fees are reviewed biennially and were reviewed in 2012, they will not be reviewed this year.</p> <p>CR enquired whether Heathrow would be reviewing the rental formula as it now consults with the wider airport community, including operational tenants other than airlines, who were not involved in the original rent guideline discussions. JA confirmed that Heathrow had no plan to change the rental formula.</p> <p>AG enquired on the process for changing the rental formula which determines the Heathrow property guide prices, in particular the relevant geographical areas from which the IPD figures are collated for example something a little more Heathrow centric, given Airport Industrial building mirror local industrial areas?. JA advised that any suggestions could be made in writing however because Heathrow is regulated and forecasts income over a 5 year regulatory period any change would need to be looked at in this context. AG accepted this but pointed out that IPD geographical area had previously been changed as part of Rents Group consultation in 2003.</p> <p>AG enquired whether questions raised at the meeting also needed to be formally submitted to Heathrow, or whether Heathrow would take these on board as part of the consultation. JA confirmed it would be helpful if feedback on the consultation was put in writing, but would seek to capture any under the Minutes.</p> <p>LH asked whether Heathrow will reply to any written comments which they receive after the closing deadline of 13th September. JA confirmed that all comments on the consultation should be submitted by 13th September. User comments along with Heathrow responses will be contained within the published consultation outcome (excluding commercially confidential information), issued no later than 27th September.</p> <p>AG asked how many invitations had been sent out by Heathrow given the low turnout, albeit peak summer holiday period? JA confirmed that all Property Customers have been sent an e-mail notifying them of the consultation.</p> <p>KK asked whether the 2013/2014 guide prices were relevant to T2. JA confirmed that the guide price rents for T2 would be added to the guide prices in April 2014 prior to the terminal opening in June 2014.</p> <p>Terminal 2 guide price rents in 2013/14 prices are attached for information below:</p> <table border="1" data-bbox="332 1724 1289 1883"> <thead> <tr> <th rowspan="2"></th> <th colspan="2">2013/14</th> </tr> <tr> <th>£/sqft</th> <th>£/sqm</th> </tr> </thead> <tbody> <tr> <td>Terminal 2</td> <td></td> <td></td> </tr> <tr> <td>CIP - T2A</td> <td>£76.62</td> <td>£824.72</td> </tr> <tr> <td>CIP - T2B</td> <td>£72.80</td> <td>£783.56</td> </tr> </tbody> </table>		2013/14		£/sqft	£/sqm	Terminal 2			CIP - T2A	£76.62	£824.72	CIP - T2B	£72.80	£783.56	<p>JA</p>
		2013/14													
	£/sqft	£/sqm													
Terminal 2															
CIP - T2A	£76.62	£824.72													
CIP - T2B	£72.80	£783.56													

<i>Minutes:</i>			<i>Action</i>
T2A - Landside offices/support accommodation	£67.16	£722.94	
T2A - Airside offices/support accommodation	£55.23	£594.46	
T2A - Airside apron level support accommodation (Ramp)	£43.30	£466.09	
T2B - Airside offices/support accommodation	£52.60	£566.20	
T2B - Apron level support accommodation (Ramp)	£42.27	£454.96	
<p>3. Other</p> <p>JA thanked those present for attending the consultation meeting and reminded all that the final date for any written comments is 13th September, with the outcome of the consultation published by the 27th September 2013.</p>			

Appendix 2 – Heathrow Rental Guide Prices 2013/14

Effective from 1st April 2013

	Rent £ / sq ft		Rent £ / sq M	
	Min	Max	Min	Max
Terminal 1				
Second floor office		£64.48		£694.08
CIP		£72.57		£781.10
Piers - standard ramp	£36.28	£42.95	£390.49	£462.33
Piers - first floor	£37.73	£44.41	£406.14	£477.98
Terminal 3				
North Wing		£58.04		£624.79
South Wing		£64.48		£694.08
East Wing		£62.40		£671.72
Departures ground floor R/O check-in		£49.35		£531.16
Departures ground floor off back corridor		£43.53		£468.59
Infill Offices		£64.48		£694.08
CIP - Departures		£72.57		£781.10
CIP - Arrivals	£68.92	£72.57	£741.82	£781.10
Piers - standard ramp	£36.28	£42.95	£390.49	£462.33
Building 820				
First and Second Floor		£51.62		£555.61
Ground Floor		£54.42		£585.74
Bays		£33.83		£364.19
D'Albiac House				
Bays		£30.45		£327.81
Offices (Outer offices)		£46.74		£503.07

Offices (Inner offices)		£45.43		£488.97
Terminal 4				
NE Extension, Balcony		£64.48		£694.08
Departures rear of check in		£49.35		£531.16
Mezzanine airside		£46.45		£499.99
Standard ramp	£36.28	£42.95	£390.49	£462.33
CIP		£72.57		£781.10
Terminal 5				
CIP - T5A		£79.81		£859.08
CIP - T5B/C		£75.83		£816.21
T5A - Landside offices/support accommodation		£69.96		£753.06
T5A - Airside offices/support accommodation		£57.53		£619.23
T5A - Airside apron level support accommodation (ramp)		£45.11		£485.51
T5B/C - Airside offices/support accommodation		£54.79		£589.80
T5B/C - Apron level support accommodation (ramp)		£44.03		£473.92
Desk Frontage Rates - All Terminals				
Check-In		£504.69		£1,655.78
Sales and Reservation		£1,044.92		£3,428.16
Transfer		£504.69		£1,655.78
Information		£774.81		£2,541.99

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.