

# Minutes

Meeting subject: Heathrow Guide Price Rents 2018/19 Consultation Meeting

Meeting location: Hyatt Place Heathrow, Bath Road - Meeting Room 6

Date/Time: 26 July 2018 09:00 – 11:00 hours

Present:

Roberto Segala (RS)	Heathrow Airport Ltd
Sharan Chahal (SC)	Heathrow Airport Ltd
Diane Daniels (DD)	Heathrow Airport Ltd
Simon Arthur (SA)	Heathrow AOC
Andrew Gilling (AG)	Heathrow AOC
Antony Cooper (AC)	Cushman & Wakefield for British Airways
Clive Redding (CR)	LSH (Proxy Virgin Atlantic, Menzies and DNATA)
Mahadi Mohdbakri (MM)	Malaysia Airlines
Joao Soeiro (JS)	Plaza Premium Lounge
Edward Green (EG)	Shell
Ignatius Dsouza (ID)	Jet Airways
Jacinta Waweru (JW)	Kenya Airways
Julia Adams (JA)	Kenya Airways
Tony Margerison (TM)	ASIG
Niru Vaghela (NV)	Aviation Fuel Services Ltd
Darcy Lane (DL)	Aviation Fuel Services Ltd

RS welcomed everyone to the 2018/19 Rents Consultation.

**AGENDA ITEMS:**

- Overview of Rents Consultation
- Consultation Timetable
- Guide Price Formula
- 2017/18 Guide Price Change
- Terminal 2 Guide Prices

RS, SC and DD from the HAL Property team introduced themselves and briefly explained their roles. Participants to the meeting also briefly introduced themselves. RS said that he would be happy to answer any questions during or after the presentation.

**1. Overview**

RS gave an overview of the consultation, outlining that this is for the 2018/19 Guide Price change. RS highlighted that the desk frontage rates form part of this year consultation, following the normal 2-year cycle which saw them last uplifted in 2016/17. He also confirmed that T2 Guide Prices retain the 4% discount for 2018/19.

**2. Timetable**

RS confirmed the consultation started on 4<sup>th</sup> July 2018 with Property publishing on the Heathrow website the consultation paper on 2018/19 rental proposals. The closing date for any written customer responses is 31<sup>st</sup> August 2018 with the 2018/19 guide price rents being confirmed on 7<sup>th</sup> September 2018.

RS explained that this year the consultation period has been shortened from 12 weeks to 4 weeks. This is based on specific feedback received from the AOC and the tenants at past consultation meetings where it was said that the guide price approach is formulaic and does not require 12 weeks of consultation.

**3. Formula**

RS presented the formula that has been used to calculate the 2018/19 guide price rents using Passenger numbers, RPI and the Investment Property Databank (IPD) indices for Central, Outer and West London.

RS then presented the formula calculation for 2018/19 which generated a +2.94% 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: +2.94%  
 2 year increase: +5.91%  
 3 year increase: +9.83%

EG asked whether consideration should be given on replacing the RPI index with the CPI index. RS explained that one of the benefits of the formula is consistency and the RPI index has been used since 1996. HAL Property would consider reviewing the formula if there is a strong justification for the change.

SA asked what was the source of the RPI figure used in the formula. RS said the source was [www.ons.gov.uk](http://www.ons.gov.uk) Retail Price Index – All Items (Table 36)

**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 2018/19. This infrastructure includes the through taxiway, 2 additional stands, T2 baggage system and the T2A to T2B Track Transit System.

**6. AOB**

DL said that because Guide Prices are agreed after the effective date of 1<sup>st</sup> April, a number of rent reviews will result in retrospective adjustments and back billing.

RS responded that HAL Property would look at ways of bringing forward the consultation meeting and calculate the Guide Price as soon as the IPD Annual Property indexes become available for the preceding year.

CR said that the service provision should be better and certain failings, such as air conditioning, should not happen considering the level of rent paid by the tenants. RS responded that HAL Property is working closely with HAL Engineering to ensure service management keeps improving. An example is the recent migration of the Engineering Help Desk from the BSC to APOC, which has resulted in a faster response time to faults.

TM - ASIG 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.

Aviation Fuel Services asked whether the Guide Prices apply to Property buildings on the Perimeter and CTA. 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. If the property location is not specifically referenced, then, in the absence of an explicit alternative valuation model/or a material change in circumstances contained within the lease, then the "custom and practice" approach has been to mirror the RGP increase by the same percentage for the relevant period.

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 31<sup>st</sup> August 2018. Draft minutes would be circulated to the attendees for review. He asked that if anyone has any other questions to please get in touch.

The Guide Prices are due to be published on 7<sup>th</sup> September 2018 and an email will be circulated to advise when this has happened.

END