

# Heathrow Airport - Property Guide Price Rents 2012/13

## Decision Document

Date: 10<sup>th</sup> October 2012

Prepared by: Heathrow Airport Limited

Status: Published

## 1.0 Introduction and Consultation Programme

### Purpose

- 1.1 Heathrow Airport Limited (HAL) has reviewed the Property Rental Guide Prices (“Guide Prices”) for 2012/13. The purpose of this document is to set out HAL’s decision.
- 1.2 The 2012/13 Guide Prices are effective from 1<sup>st</sup> April 2012.

### Background

- 1.3 Since 1996, Heathrow has had a list of published Guide Prices. These are either a band or spot rent for specific property products at the airport.
- 1.4 Since 1996, Guide Prices have been adjusted by the percentage change in a rental formula, which is applied annually to the Guide Prices and is consulted with property users.
- 1.5 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.
- 1.6 The formula gives equal weighting to each component.
- 1.7 The formula seeks to provide more consistent change, from year to year, flattening the peaks and troughs associated with the external property market.
- 1.8 Desk licence fees are reviewed bi-annually on the same basis as rents, the next review is 2012.
- 1.9 Through consultation it was agreed that Guide Prices were held level in 2009/10, 2010/11 and 2011/12, despite a reduction in the formula in 2009, 2010 and an increase in the formula in 2011.
- 1.10 A commitment was made by Heathrow in 2009, 2010 and 2011, not to increase rents in future years until the reduction in the formula for those years was offset by increases in future years, ie until the stored-up deficit was eroded.
- 1.11 The reason for holding rents level, rather than reducing them in 2009/10, 2010/11 and 2011/12, was partly to prevent a two tier market emerging between existing tenants paying a higher level of rent than new occupiers.
- 1.12 HAL has undertaken a consultation with property users. The consultation sought views on:
  - The outcome of the formula calculation for 2012/13.
  - Increasing rents and desk licence fees by 1.12% for 2012/13.
- 1.13 The consultation was launched on 21<sup>st</sup> August 2012 with the publication of the Consultation Document. An open consultation meeting was held on 11<sup>th</sup> September 2012 to seek feedback on the proposals.
- 1.14 The consultation documents have been available on the HAL website. HAL communicated the consultation documents to property users and the AOC via an e-mail communication sent out on 23<sup>rd</sup> August 2012. A subsequent e-mail was circulated on 7<sup>th</sup> September 2012 to the same recipients reminding them of the consultation meeting on the 11<sup>th</sup> September 2012.

1.15 The Consultation programme HAL has undertaken is as follows:

Date	Milestone
21 <sup>st</sup> August 2012	HAL publishes consultation document on Heathrow 2012/13 Guide Price proposals
11 <sup>th</sup> September 2012	Consultation meeting
25 <sup>th</sup> September 2012	Property customer written responses due
9 <sup>th</sup> October 2012	HAL publishes 2012/13 rents effective from 1 <sup>st</sup> April 2012

#### Further Information

1.16 This document informs all users of HAL's decision and concludes this Consultation on Heathrow Property Guide Prices for 2012/13.

1.17 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: [hal\\_property@baa.com](mailto:hal_property@baa.com)

## 2.0 Review of Responses and Decision

2.1 There have been no written responses from individual users.

## 3.0 Summary of Decision

3.1 HAL has increased Guide Prices for 2012/13 by 1.12%.

3.2 Prior to the 2012/13 calculation a banked reduction of -3.03% (-0.88% in 2009, -4.15% in 2010 and +2% in 2011) had built up. The formula calculation for 2012/13 has produced an increase of +4.35%. This increase fully offsets the banked reduction.

3.3 In order to provide consistency in the way we calculate Guide Prices from previous years, the Guide Prices for 2012/13 have been calculated by applying the annual increases and decreases in the formula to the previous year's Guide Prices. The result of this calculation is the Guide Prices will increase by 1.12% in 2012/13.

3.4 In the outcome from previous consultations HAL stated that it would not seek to increase rents in future years until the formula deficit is offset by increases in future years. We have now reached this point, HAL will increase Guide Price rents by 1.12% for 2011/12. The desk licence fees will also increase by 1.12% in line with the bi-annual review pattern.

3.5 A full schedule of the rents is attached at Appendix 1.

## 4.0 Implementation Timescale

4.1 The 2012/13 Guide Prices are effective from 1<sup>st</sup> April 2012 and will be implemented immediately for any property rental transactions effective from this date.

## 5.0 List of Respondents

5.1 No responses received.

## Appendix 1 – Heathrow Rental Guide Prices 2012/13

<b>Heathrow Airport Rental Guide Prices - 2012/13</b>				
	<b>Rent £ / sq ft</b>		<b>Rent £ / sq M</b>	
	<b>Min</b>	<b>Max</b>	<b>Min</b>	<b>Max</b>
<b>Terminal 1</b>				
Second floor office		£63.16		£679.86
CIP		£71.08		£765.09
Piers - standard ramp	£35.53	£42.07	£382.49	£452.86
Piers - first floor	£36.96	£43.50	£397.81	£468.18
<b>Terminal 3</b>				
North Wing		£56.86		£611.98
South Wing		£63.16		£679.86
East Wing		£61.13		£657.95
Departures ground floor R/O check-in		£48.34		£520.28
Departures ground floor off back corridor		£42.64		£458.99
Infill Offices		£63.16		£679.86
CIP – Departures		£71.08		£765.09
CIP – Arrivals	£67.50	£71.08	£726.62	£765.09
Piers - standard ramp	£35.53	£42.07	£382.49	£452.86
<b>Building 820</b>				
First and Second Floor		£50.56		£544.22
Ground Floor		£53.30		£573.73
Bays		£33.14		£356.73
<b>D'Albiac House</b>				
Bays		£29.83		£321.09
Offices (Outer offices)		£45.78		£492.76
Offices (Inner offices)		£44.50		£478.95

Terminal 4				
NE Extension, Balcony		£63.16		£679.86
Departures rear of check in		£48.34		£520.28
Mezzanine airside		£45.50		£489.75
Standard ramp	£35.53	£42.07	£382.49	£452.86
CIP		£71.08		£765.09
Terminal 5				
CIP - T5A		£78.18		£841.48
CIP - T5B/C		£74.27		£799.48
T5A - Landside offices/support accommodation		£68.53		£737.63
T5A - Airside offices/support accommodation		£56.35		£606.54
T5A - Airside apron level support accommodation (Ramp)		£44.18		£475.56
T5B/C - Airside offices/support accommodation		£53.67		£577.71
T5B/C - Apron level support accommodation (Ramp)		£43.13		£464.21
Desk Frontage Rates - All Terminals				
Check-In Desks		£504.69		£5,432.41
Sales and Reservation Desks		£1,044.92		£11,247.39
Transfer Desks		£504.69		£5,432.41
Information Desks		£774.81		£8,339.95

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.