

ECONOMIC REAL ESTATE REPORT 2023-24



FOREWORD

I'm pleased to introduce our first annual Economic Real Estate Report 2023 to 2024, providing a comprehensive analysis of the ever-evolving real estate landscape within the Heart of London (HOL) area, as outlined on page 5's Study Area.

This report highlights the notable resilience and prosperity of the HOL area. It's evident that it continues to serve as a significant economic hub, representing a remarkable 33% of the West End's Gross Value Added (GVA) while occupying less than 13% of the total area. The concentration of the economic activity not only highlights the strength of the area's investment proposition, but also its significance to the national and global economy.

The growth of the HOL area is impressive. The most-up-to-date data shows a notable 33% increase in GVA between 2017 and 2021, nearly three times the rate observed across London as a whole. Additionally, the rise in GVA per worker by over 18% between 2017 and 2021 highlights the area's resilience during a period of economic crisis for London and the UK.

Of particular interest is the unprecedented demand for office space, with office occupancy at its highest since CoStar records began in 2005, standing at 96.4%. Concurrently, there has been a slight increase in retail occupancy over the year, reflecting the ongoing appeal of the area for businesses and consumers alike.

The surge in demand for space underscores the HOL area's growing desirability and potential, attracting a diverse range of businesses keen to capitalise on its success.

As more businesses choose to establish themselves here, we will see a positive impact on consumer spending, which continues to rise.

The confirmation of 12 investment deals across all usage categories during 2023 and into 2024 further cements the HOL area's status as a prime investment destination. Additionally, the projected growth in demand for hotel accommodation throughout 2024 signals a continuation of current trends, presenting valuable opportunities for investors and stakeholders. Hotel occupancy already grew to 78.5%, up 8% from last year.

As we navigate the constantly changing real estate landscape, it's essential that we not only acknowledge the HOL area's current successes but also remain committed to fostering growth and development. This report aims to lay the foundation, so together we can embrace innovation and capitalise on the opportunities presented with a strategic shared vision for the area.

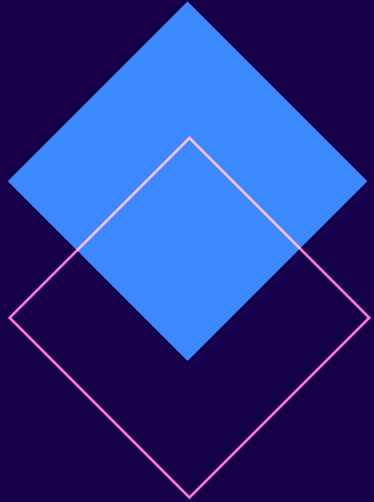
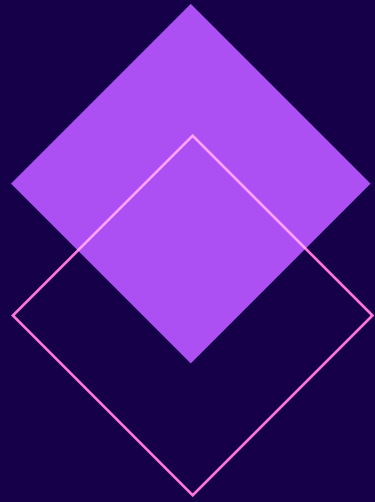
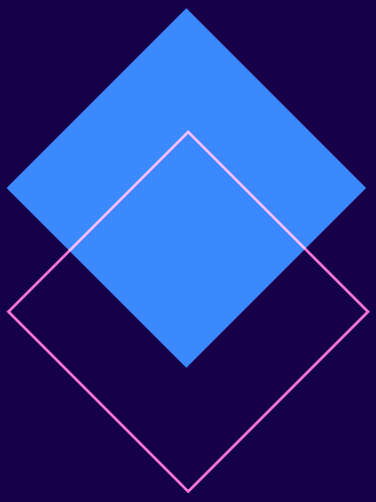
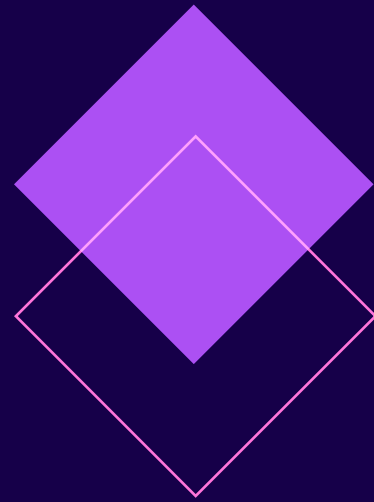
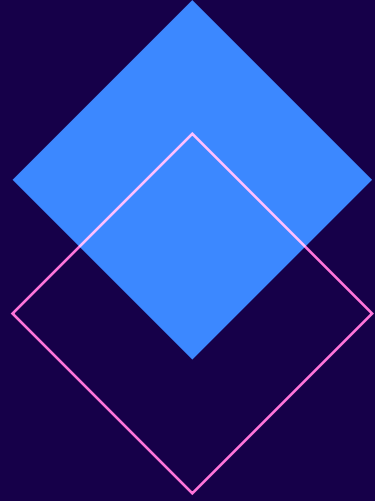
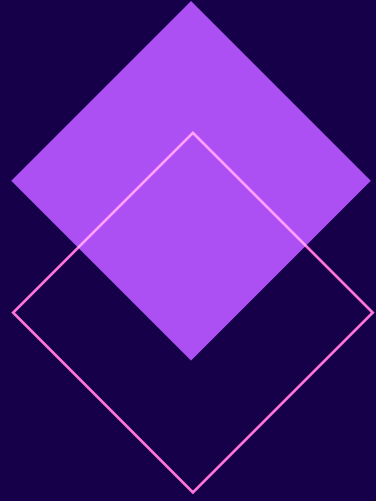
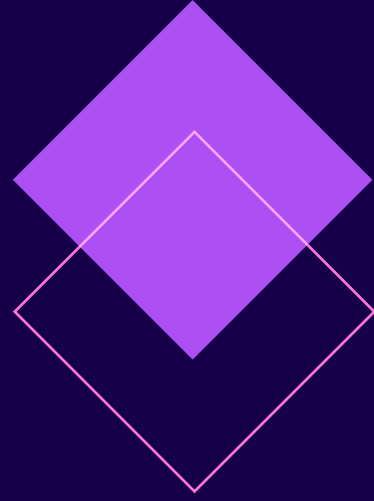
Warm Regards,



Ros Morgan
Chief Executive
Heart of London Business Alliance



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INTRODUCTION

The Economic Real Estate Report 2023 to 2024 is designed to provide a detailed and insightful overview of key economic indicators for real estate in the HOL area over the last financial year.

As well as the key market and demand data and insights for office, hotel and commercial, for both the leasing and investment markets, this report provides an analysis of the deals and offers local market insight into these key sectors from leading figures across the real estate industry.

In addition to this, we provide insight and analysis into a range of important interrelated performance indicators including area footfall data and social media monitoring.

We also gather all the relevant important announcements and policy decisions that will impact the area and put this information into one place, so you don't have to find it.

The report is designed for a range of key stakeholders with an interest in the HOL area to use as a reference point for data and insight.

Format: Online

Publishing: Annually



Map of geographies included in 'Area Economy' on pg. 39.

STUDY AREA

The Heart of London (HOL) area in the City of Westminster covers 39 hectares of prime central London. Forming a major part of London's West End, from Green Park in the west to the borders of Covent Garden in the east, the HOL area is one of the most culturally rich in the world.

Within this report, the Heart of London area is classified into six districts: St Martin's Lane, Leicester Square, Piccadilly Circus, Haymarket, Piccadilly District and Jermyn Street.

St Martin's Lane lies between Garrick Street and Charing Cross Road, bordering Covent Garden and Leicester Square. It connects major visitor spots like Trafalgar Square, The National Gallery, The National Portrait Gallery, Shaftesbury Avenue, and Covent Garden. It is one of the capital's most well-known streets and is home to the English National Opera, renowned theatres, live entertainment and music venues, bars, cafés, independent art and antique dealers, and offices.

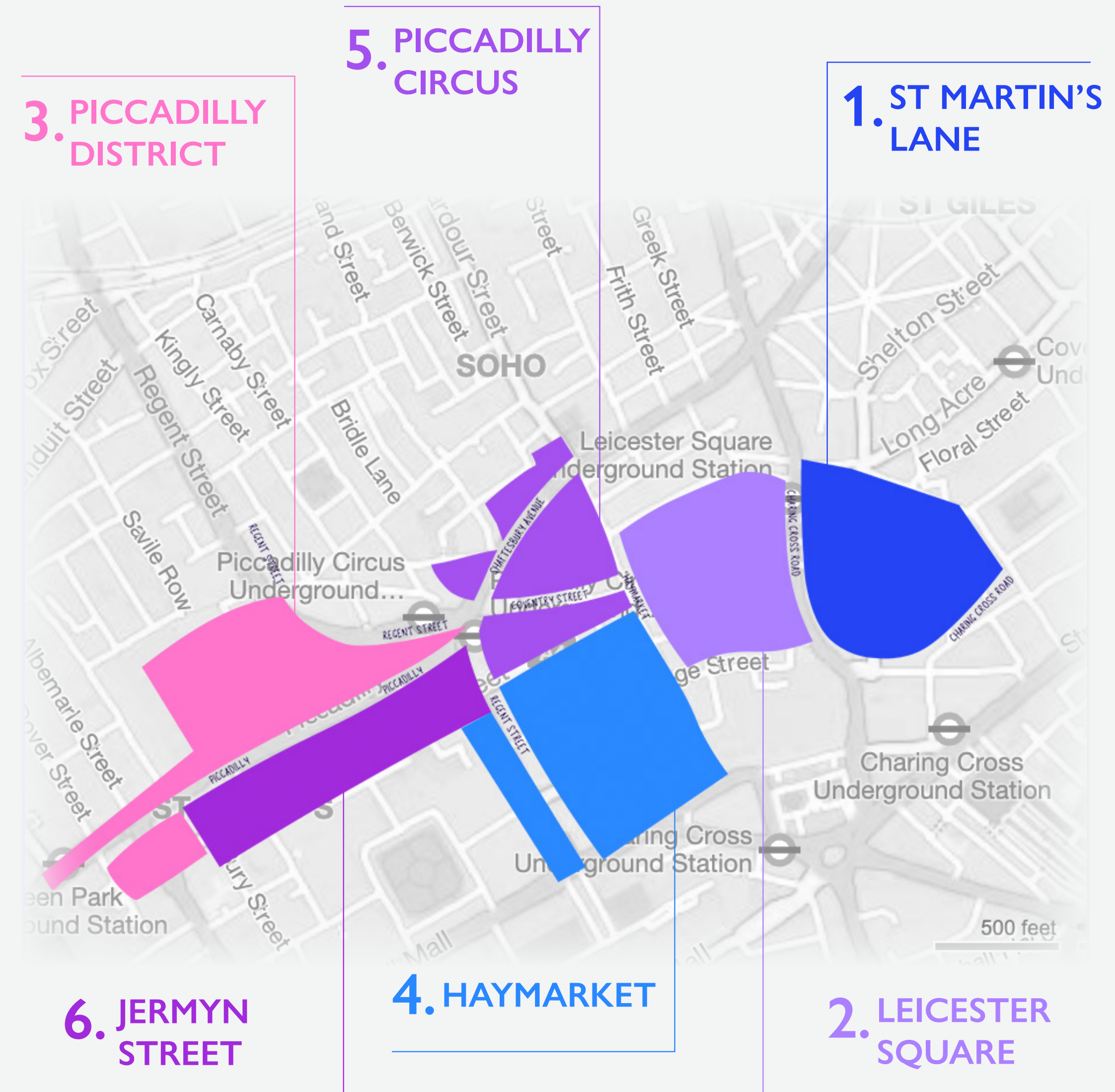
Leicester Square is the epicentre of London's film and entertainment industry. Located next to St Martin's, it is one of the most famous tourist destinations in London with a wide range of retail and leisure offers. Leicester Square has numerous cinemas, casinos, restaurants, and bars.

Piccadilly Circus is located at the heart of London next to Chinatown and Leicester Square. It is one of the most iconic areas in London, known for its famous Piccadilly lights, neon signs and the Anteros statue. As a place for the nation to Celebrate, Commemorate and Commiserate, it is connected to Piccadilly, Regent Street, Shaftesbury Avenue and St James.

The Haymarket area is situated between Jermyn Street and Pall Mall East, with Leicester Square to the east and Piccadilly Circus to the north. Haymarket houses the Theatre Royal, His Majesty's Theatre, New Zealand House, a cinema complex, cafés, and restaurants.

The Piccadilly District lies between Piccadilly Circus and Stratton Street, near Green Park Underground station. It is viewed as one of London's primary shopping destinations, hosting world-renowned fashion brands. Fortnum and Mason, The Royal Academy of Arts and luxury hotels like The Ritz, The Dilly, and Hotel Mayfair are situated on the street, accompanied by offices, cafés, and other retail establishments.

Lastly, the Jermyn Street area is located between St James's Street and Lower Regent Street. Jermyn Street is famous for its high-quality men's tailors. Many of these stores have operated for decades and have earned a reputation for their exceptional quality and skilled craftsmanship.



AREA STATUS

The Area Status reviews the over-all economic status of the HOL area. By benchmarking the HOL area against the wider West End, Westminster, Inner London and London more generally, we are able to build a comparative picture of the performance of the area.

We report on a range of factors specific to the HOL area including GVA, job composition and commercial space breakdown to understand how the area is positioned and the role it plays in London's economic landscape.

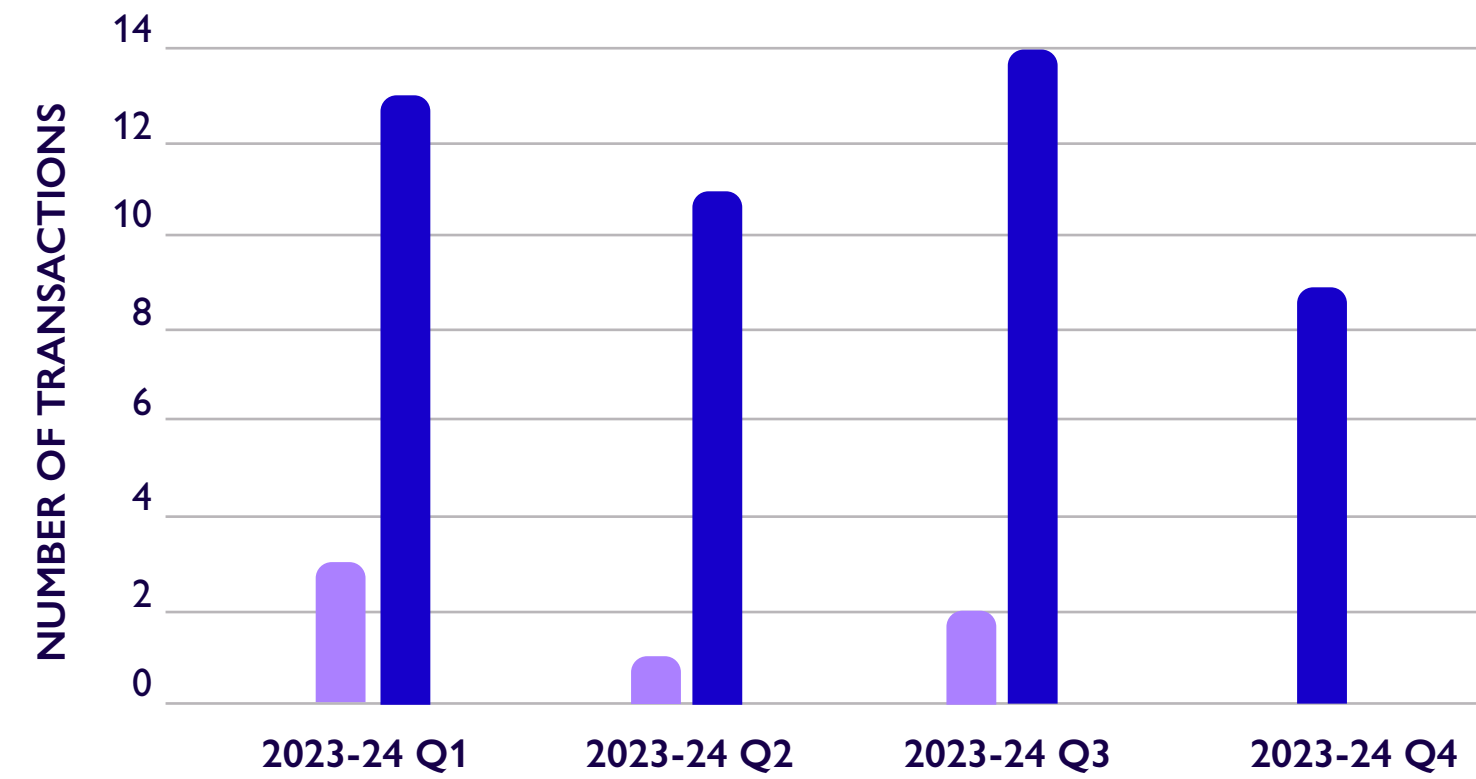


TRENDS

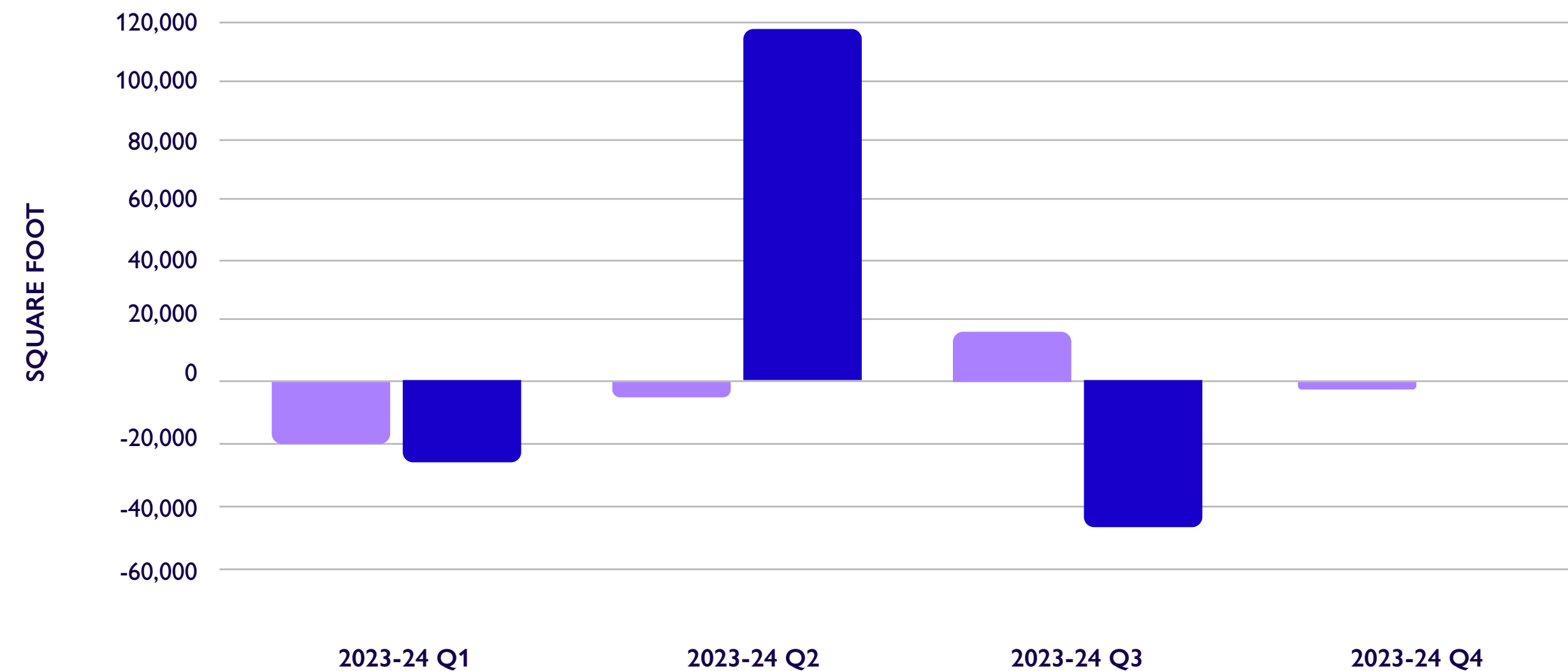
Trends across 2023

- Increasing office demand despite a mixed economic climate: availability fell from 7.5% to 4.9%; vacancy fell from 8.6% to 7.9%.
- Office market rent per sq ft stood at £79.79 and was increasing at 1.5%.
- Employees in the HOL area were most likely to only work from the office compared to hybrid working or working only from home. Just 3% of businesses reported employees working from home only.
- Retailers are adapting to tough economic conditions and changing consumer trends and behaviour: availability fell from 3.8% to 1.4%; vacancy rose from 0.8% to 1.4%, year-on-year.
- Retail market rent per sq ft stood at £96.96 and was decreasing at -0.2% year-on-year.
- The hotel market is going from strength to strength: occupancy rose from 71.0% to 79.3%; hotel ADR rose from £277.72 to £288.62; and hotel RevPAR rose from £197.26 to £228.90.
- Opportunities in sustainable tourism and eco hotels: 80% of travellers said that travelling more sustainably is important to them; and 51% of people think that there are not enough sustainable travel options available.

Historical Leasing Activity (FY 2023-24)



Historical Net Absorption (FY 2023-24)



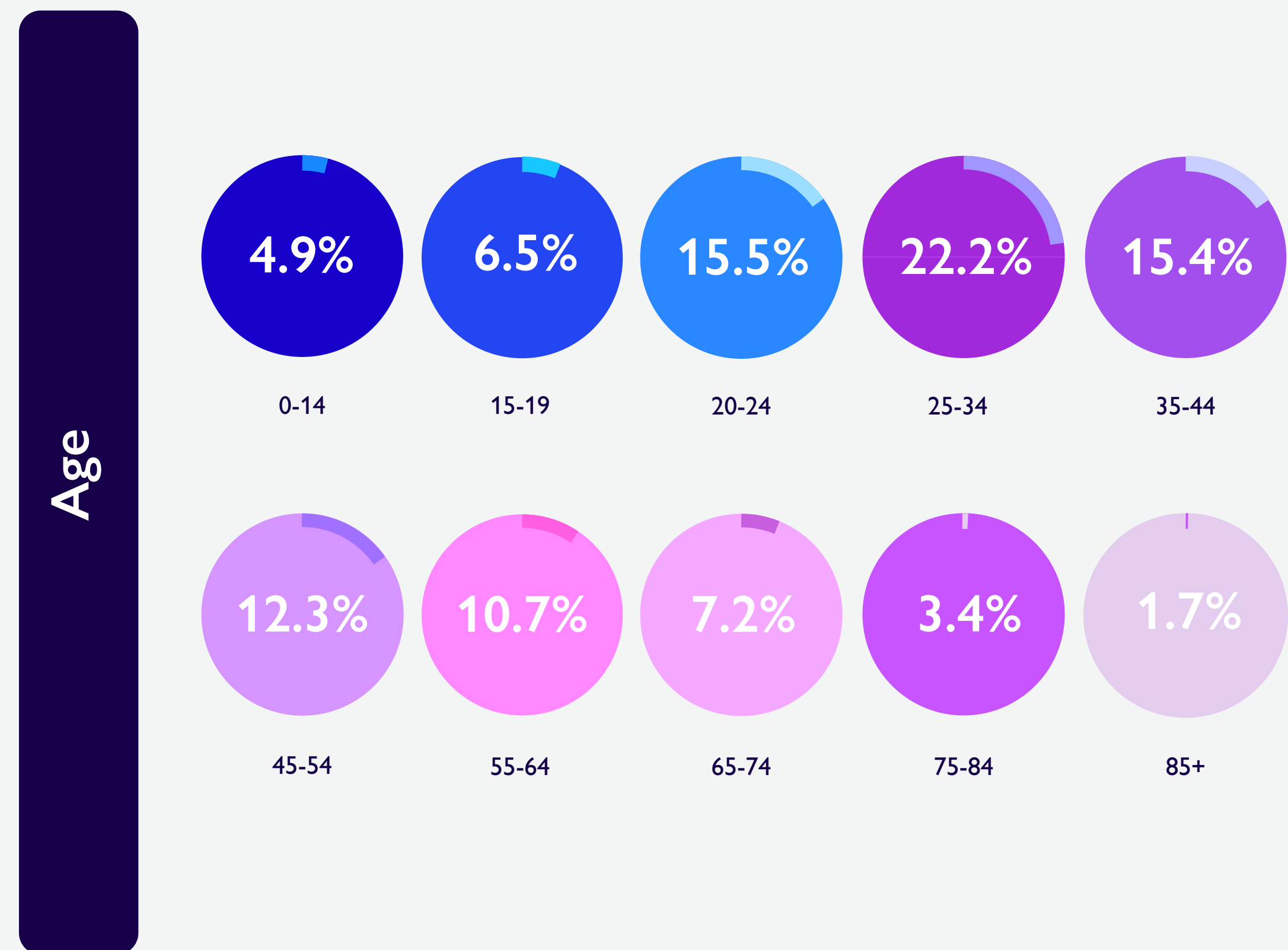
Footnote: Net absorption is a measurement of demand based on leasing transactions. It compares newly occupied space (move-ins) versus vacated space (move-outs).

Footnote: Data Source: CoStar (2024) & Booking.com.

POPULATION AND GVA

Overview of Residential Population

The HOL area has a population of 3,157, which is 22.6% of the West End's population and 0.04% of the population of London. The 20 to 24 age bracket accommodates the largest share of the population in the HOL area, at 15.5%. Significantly, there are very few children, with just 4.9% of residents under 14.



Economy of the area

The HOL area is one of the most successful parts of both London and the UK economy. Although just 0.04% of London's population lives in the HOL area, it accounts for 2% of London's total output (as of 2021).

The HOL area represents 33% of the West End's GVA, while only covering 12.8% of the area. It also represents 13.15% of Westminster's total GVA. 2021 GVA estimates show that the HOL area was worth £10bn - similar to the GVA for the whole of Coventry.

The HOL area has experienced significant growth in GVA: a 33.68% growth between 2017 and 2021, almost three times the growth seen in London.

Conversely, GVA in the wider West End experienced a negative growth of 2.98% over the same period.

	Change in GVA 2017-21	GVA Per worker
HOL AREA	33.68%	£97,260.80
WEST END	-2.98%	£84,890.04
WESTMINSTER	11.11%	£101,402.13
INNER LONDON	13.39%	£103,053.49
LONDON	10.04%	£91,502.91

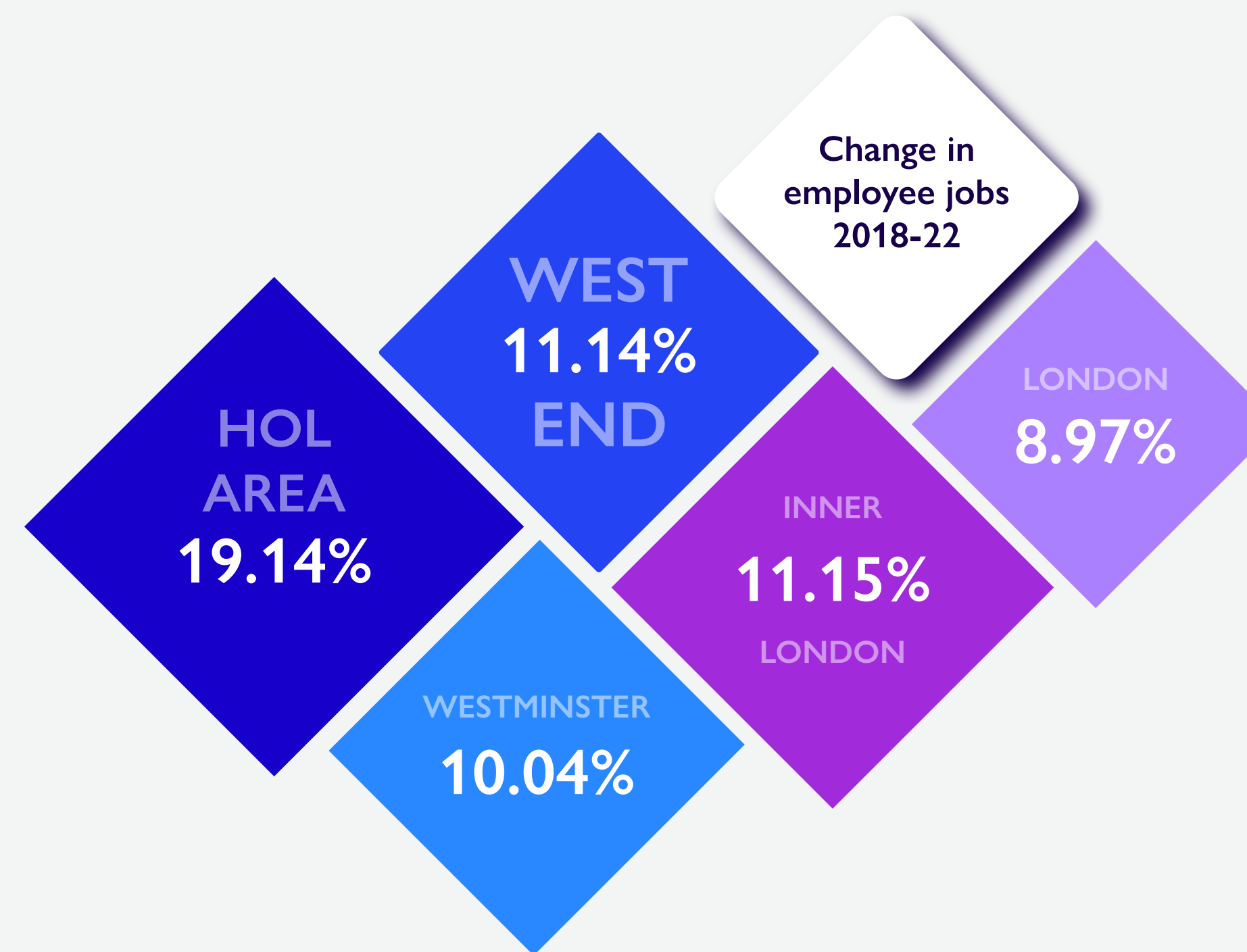
Footnote: Latest available ONS data (2021)
Map of geographies included in 'Area Economy' on pg. 39.

PRODUCTIVITY

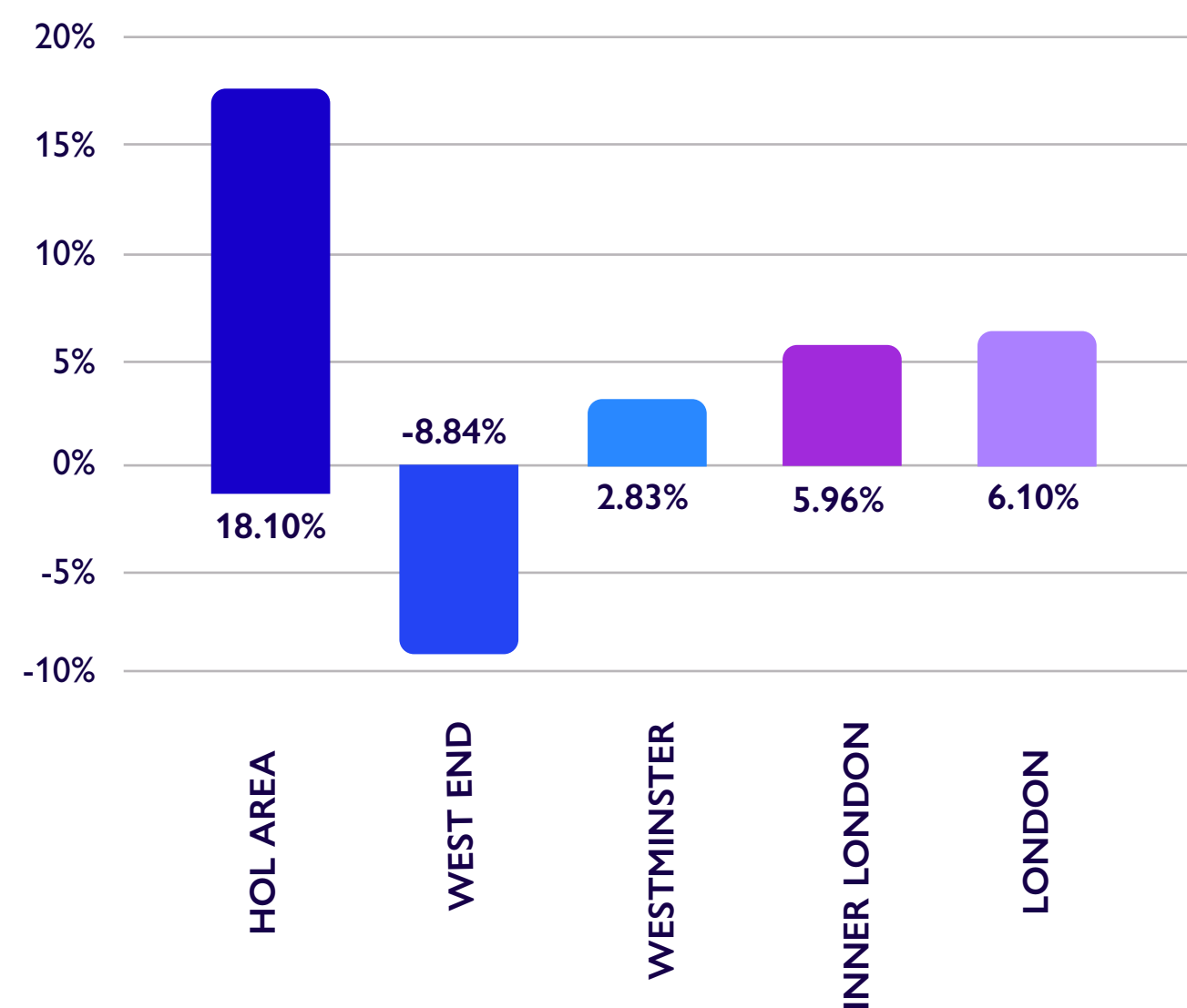
The HOL area witnessed a significant growth in productivity compared to the West End, Westminster, Inner London, and London.

In 2021, GVA per worker for the HOL area was at £97,260.80 which is higher than the West End and London and slightly lower than Westminster and Inner London figures.

Between 2017 and 2021, GVA per worker for the HOL area went up by 18.1%, almost three times the growth seen in London (6.1%). However, GVA per worker for the wider West End experienced a negative growth of 8.84% over the same period.



Change in GVA per worker 2017-21



HOL area:

The data presented as the 'HOL area' is the combined data of two Lower Layer Super Output Areas (Westminster 018A and Westminster 018C), the boundaries of which most closely match the HOL area.

West End:

The data presented as the 'West End' is the combined data of three Middle Layer Super Output Areas (MSOAs): Marylebone & Park Lane; Fitzrovia West & Soho; and Strand, St James's & Mayfair.

Inner London:

The data presented as 'Inner London' is the combined data of the 13 inner London Local Authorities.

London:

The data presented as 'London' is the combined data of 33 London Local Authorities.

The HOL area was home to 112,390 jobs, as of 2022. That is 30% of all jobs in the West End concentrated in the HOL area, more than 35 times the number of residents and more than the whole of Exeter.

Despite the impacts of Covid-19, the most recent data suggests that the number of jobs in the HOL area grew by 19.14% between 2018 and 2022, more than twice the growth seen in London (8.97%).

Footnote: Latest Available GVA and Employment data from ONS.

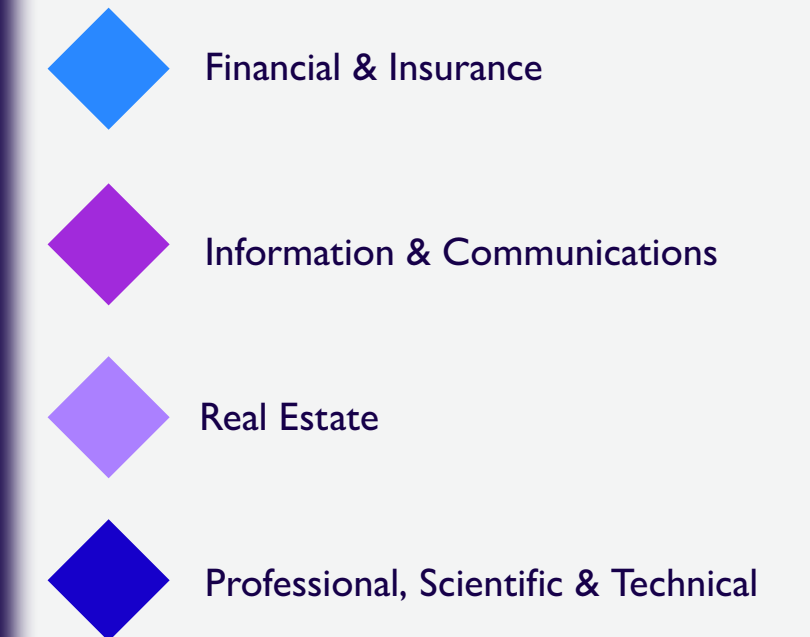
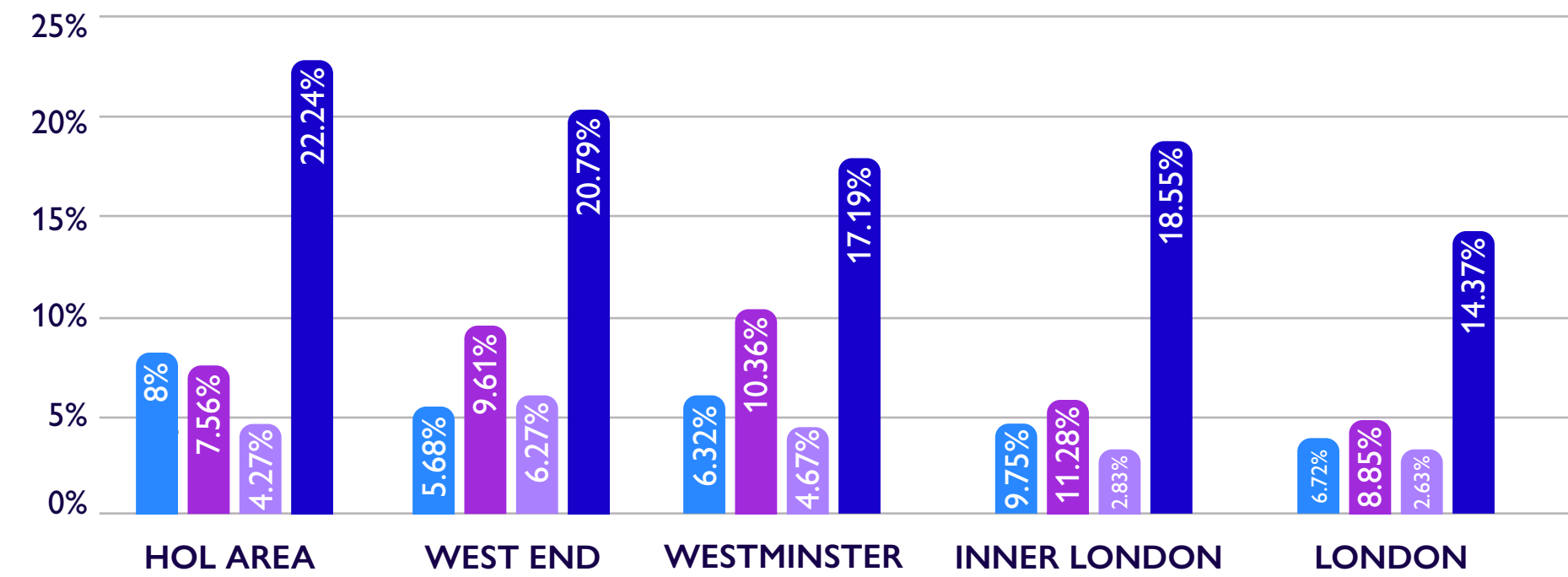
EMPLOYMENT

42% of all jobs in the HOL area are Knowledge Services (includes Financial and Insurance, Information and Communications, Real Estate, and Professional, Scientific and Technical jobs) which is similar to the averages of the West End and Inner London and higher than the London average of 32%. Professional, Scientific, and Technical jobs make up 22% of all jobs in the HOL area which is 7.8% higher than London.

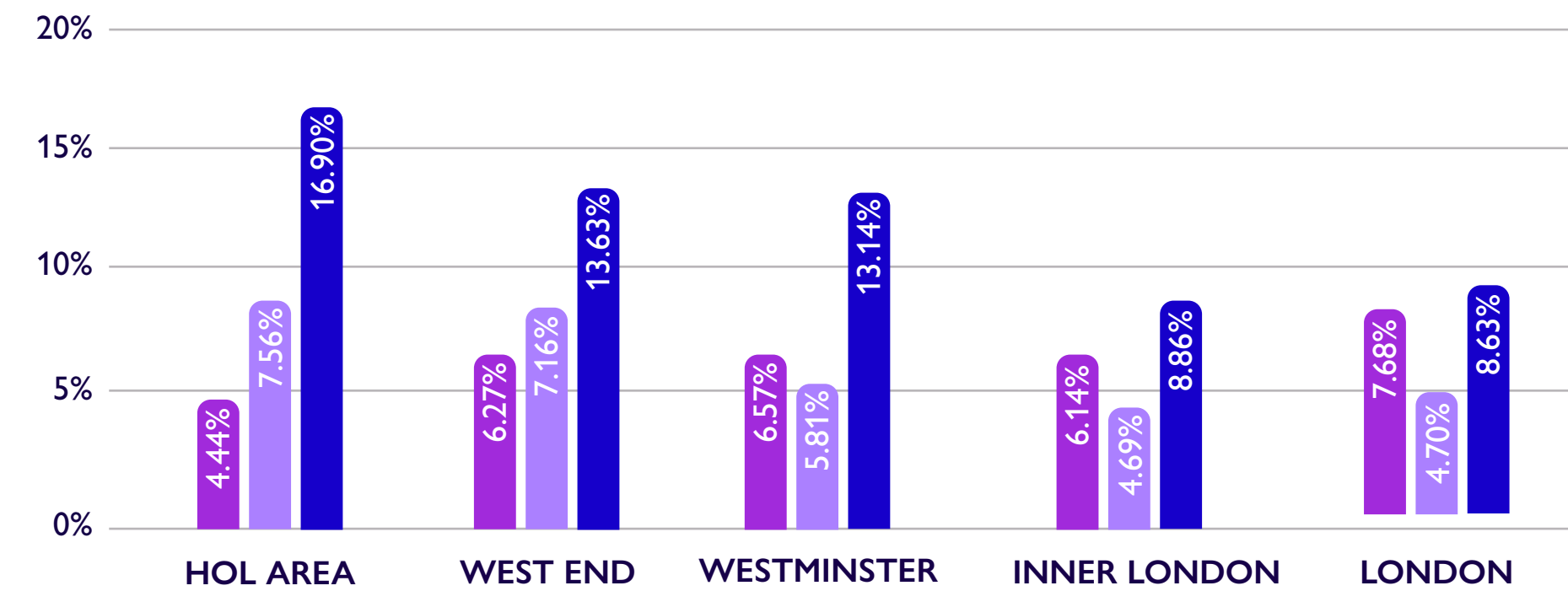
28% of all jobs in the HOL area are provided by the Retail, Arts, and F&B-focused sectors (Other private sectors) which is higher than the London figures of 21%. These sectors cater for the needs of visitors and employ a total of 32,500 people in the HOL area.

Accommodation and food services, in particular, make up 17% of total jobs within the HOL area, which is twice the figures for London.

Job Composition - Knowledge Services 2022



Job Composition - Other Private Services 2022



Footnote: Latest Available (2022) Employment data from ONS.

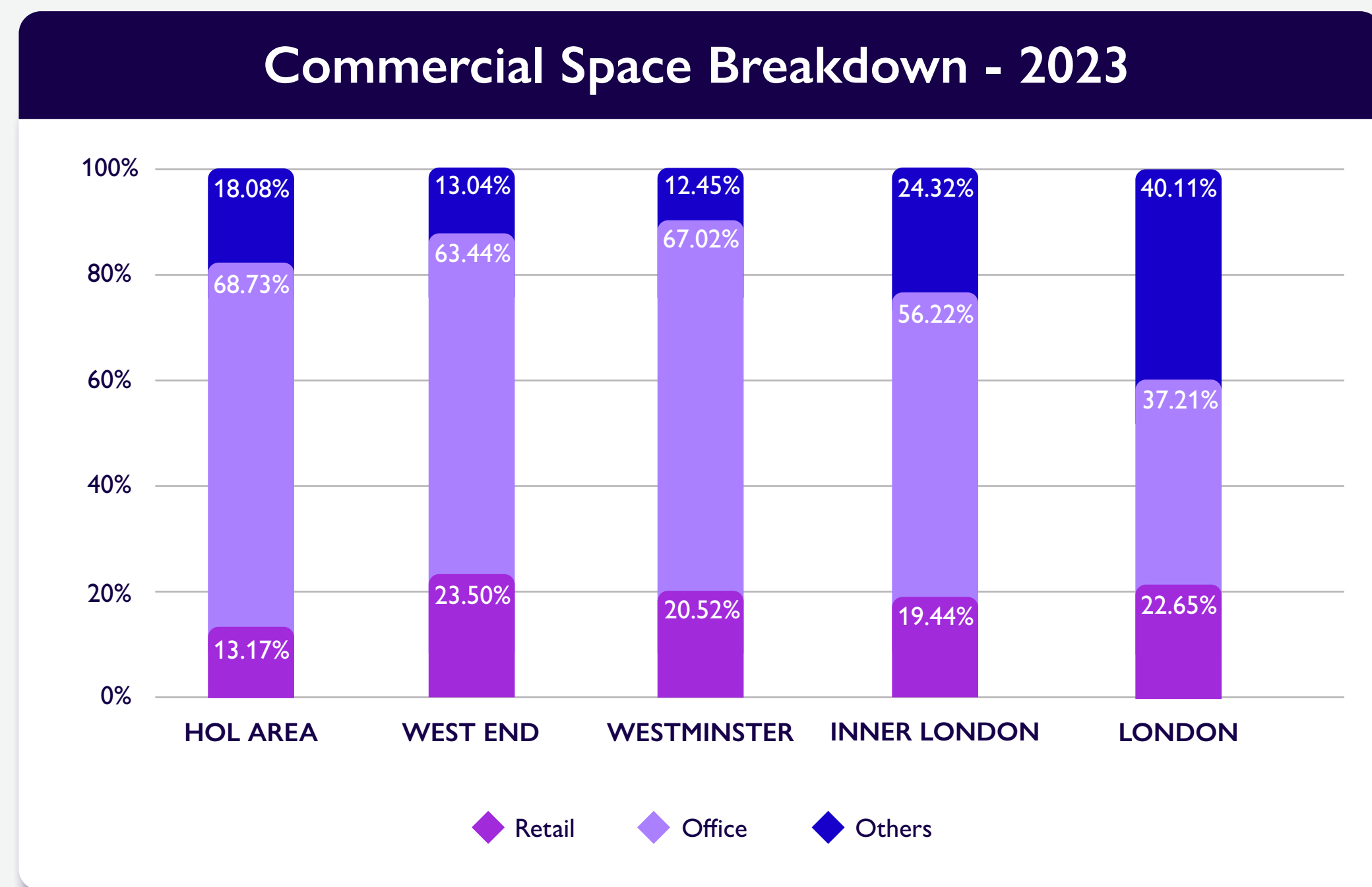
COMMERCIAL SPACE AND GVA

Reflecting the nature of jobs in the area, the majority of commercial units in the HOL area are Office units.

As of 2023, there are 4,460 Commercial units across the HOL area.

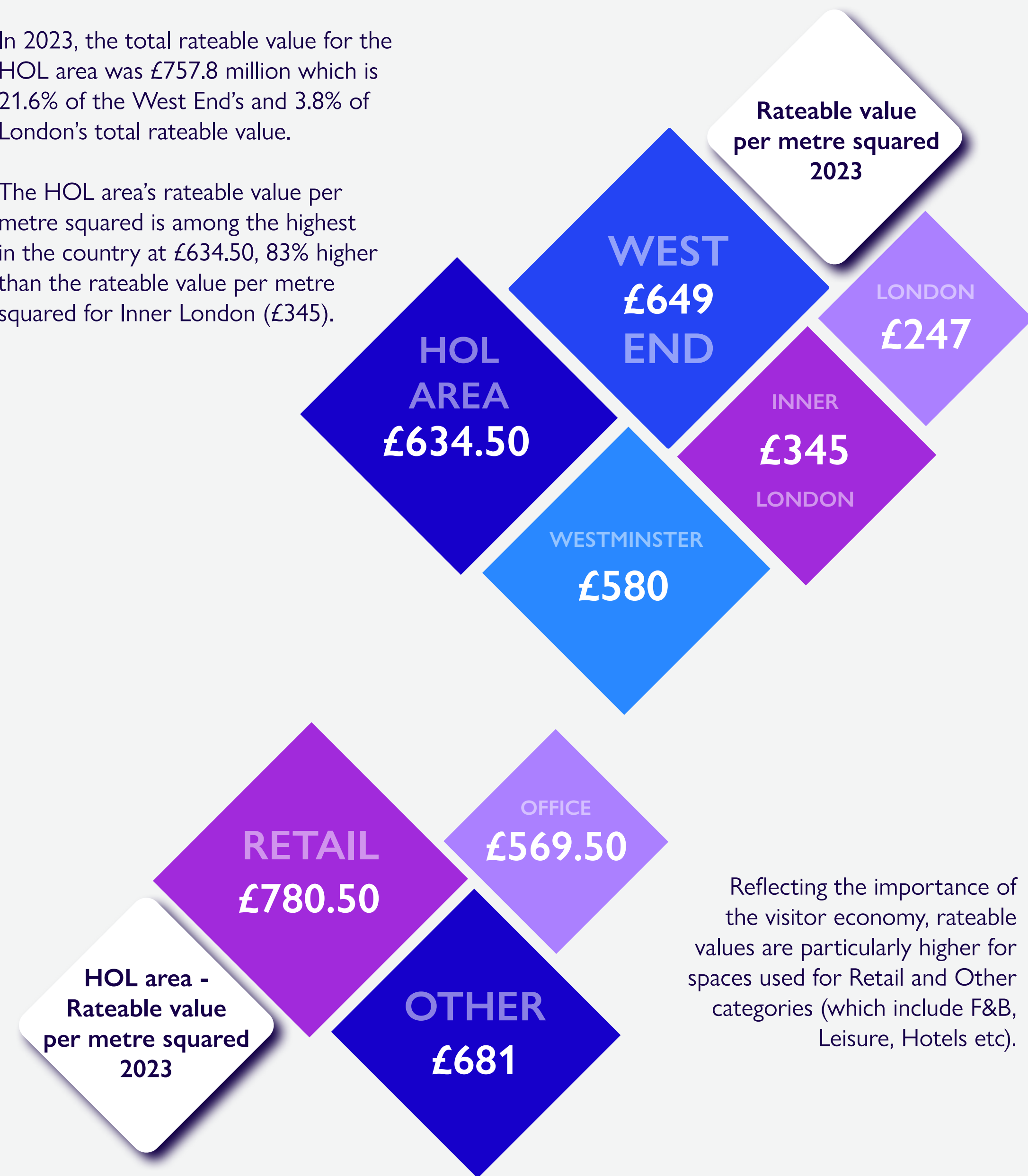
68.73% of the total Commercial floorspace within the HOL area is office space, similar to Westminster (67.02%) more generally, and significantly higher than the London average of 37.21%.

Retail and Other categories (which include F&B, Leisure, Hotels etc) make up 31.25% of Commercial floor space in the HOL area, similar to the averages of Westminster and half of London's average of 62.76%.



In 2023, the total rateable value for the HOL area was £757.8 million which is 21.6% of the West End's and 3.8% of London's total rateable value.

The HOL area's rateable value per metre squared is among the highest in the country at £634.50, 83% higher than the rateable value per metre squared for Inner London (£345).



Reflecting the importance of the visitor economy, rateable values are particularly higher for spaces used for Retail and Other categories (which include F&B, Leisure, Hotels etc).

Footnote: Latest available (2023) Non-domestic rating: stock of properties collection data from the VOA (Valuation Office Agency).

THE OFFICE MARKET

The office market overview focuses on the total office floor space inventory located within the HOL area. The office demand assessment is considered within a complex economic climate, with factors from employees being encouraged to return to the office, elevated build costs and global economic events, and the General Election scheduled for 4th July 2024. These factors continue to have a profound impact on office demand over the short to medium term.

We report on a range of market demand and supply factors specific to the HOL area and its office market in comparison to the wider West End including availability, rental growth, leasing transactions, development activity, and construction supply to gauge the strength of demand in the market and its growth on an annual basis.



MARKET OVERVIEW: OFFICE

Total Inventory
(Sq Ft)

4.1m

No. of Buildings

194

No. of
Transactions



2023-24 total: 47

2023-24 Q1: 13

2023-24 Q2: 11

2023-24 Q3: 14

2023-24 Q4: 9



Market Rent per Sq Ft

£79.78



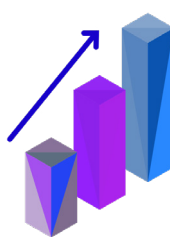
Under Construction (Sq Ft)

172,421



Net Absorption (Sq Ft)

106,642



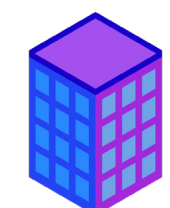
Rental Growth

1.1%



No. of Years' Supply
on the Market

0.8



No. of Transactions
(2022-23)

79

Occupancy rate

2023-24 Q1: 93.5%

2023-24 Q2: 93.2%

2023-24 Q3: 92.1%

2023-24 Q4: 93.6%

Vacant space (Sq Ft)

2023-24 Q1: 261K

2023-24 Q2: 286K

2023-24 Q3: 330K

2023-24 Q4: 268K

Availability rate

2023-24 Q1: 5.0%

2023-24 Q2: 4.9%

2023-24 Q3: 4.9%

2023-24 Q4: 4.0%

Properties with
available space

39

West End Metrics

West End overview reported combining relevant CoStar submarkets

No. of Transactions (FY 2023-24)

459

Market Rent per Sq Ft

£83.55

Vacancy Rate

8.3%

No. of Years' Supply on the Market

1.99

Rental Growth

1.6%

There is currently a total of 165,847 sq ft of available office space, which makes up 3.62% of the total office inventory in the HOL area. This marks a significant decrease in availability, which stood at 6.3% at the end of March 2023 and is the lowest office availability since CoStar records began in 2005.

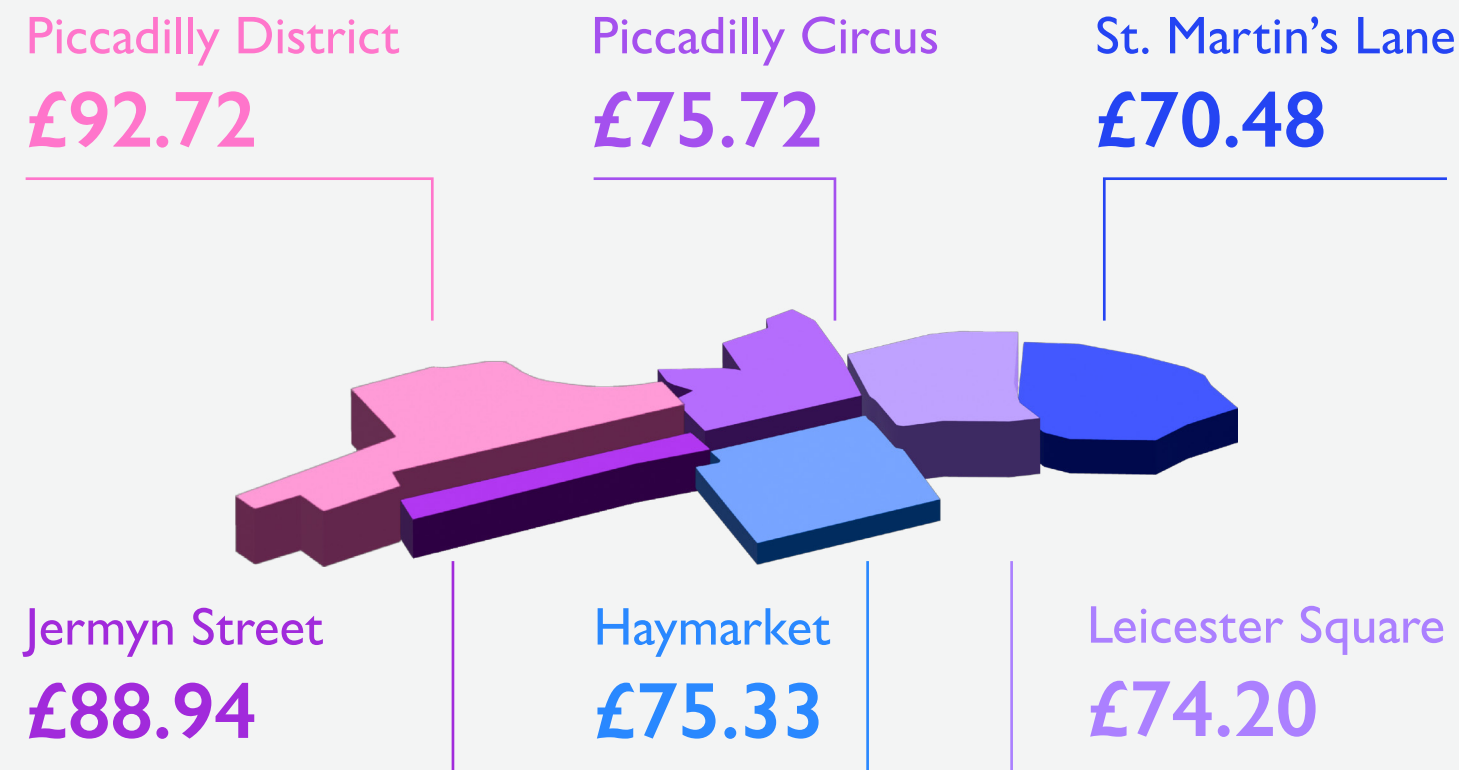
The HOL area remains in high demand given increasingly limited availability. There are just 39 properties with available floor space, representing just 0.8 years' of supply on the market at current take-up rates. Market rent per sq ft is currently at £79.78, slightly lower than the £83.55 per sq ft for the West End as a whole. Rental growth is currently at 1.10% which is slightly lower than 1.60% for the West End as a whole.

47 confirmed leasing deals occurred within the HOL area from 1 April 2023 to 31 March 2024, with a total of 222,684 sq ft transacted. The 47 spaces spent an average of 12.9 months on market. Just under half of the total floorspace leased over the past year occurred in three transactions involving 99,992 sq ft at Landsec's new Lucent W1 development at 1 Sherwood Street. 82% of the new leases signed were for less than 5,000 sq ft of floor space.

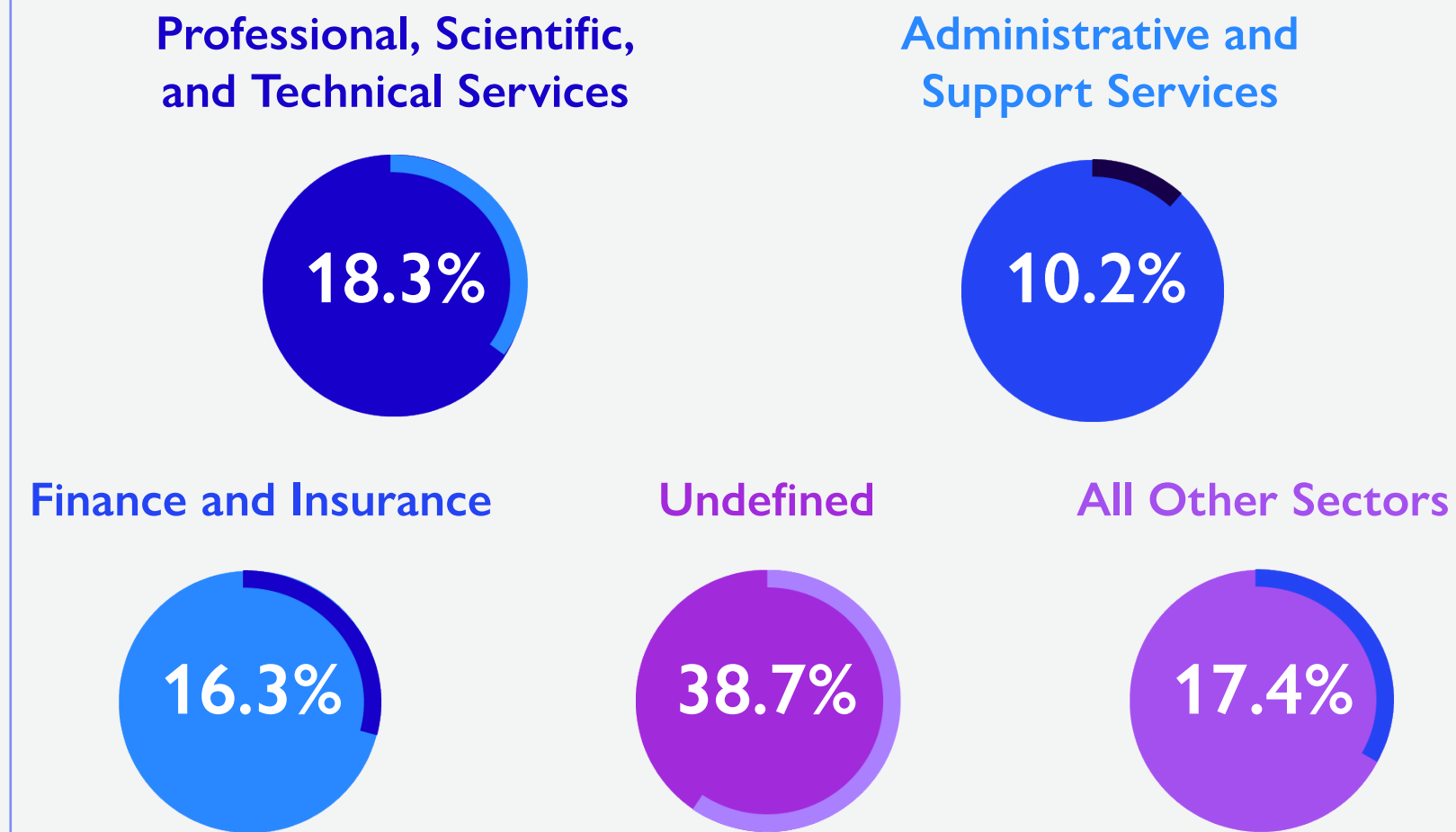
This represents the latest available CoStar data between 1 April 2023 and 31 March 2024.

DISTRICT-LEVEL ANALYSIS: OFFICE

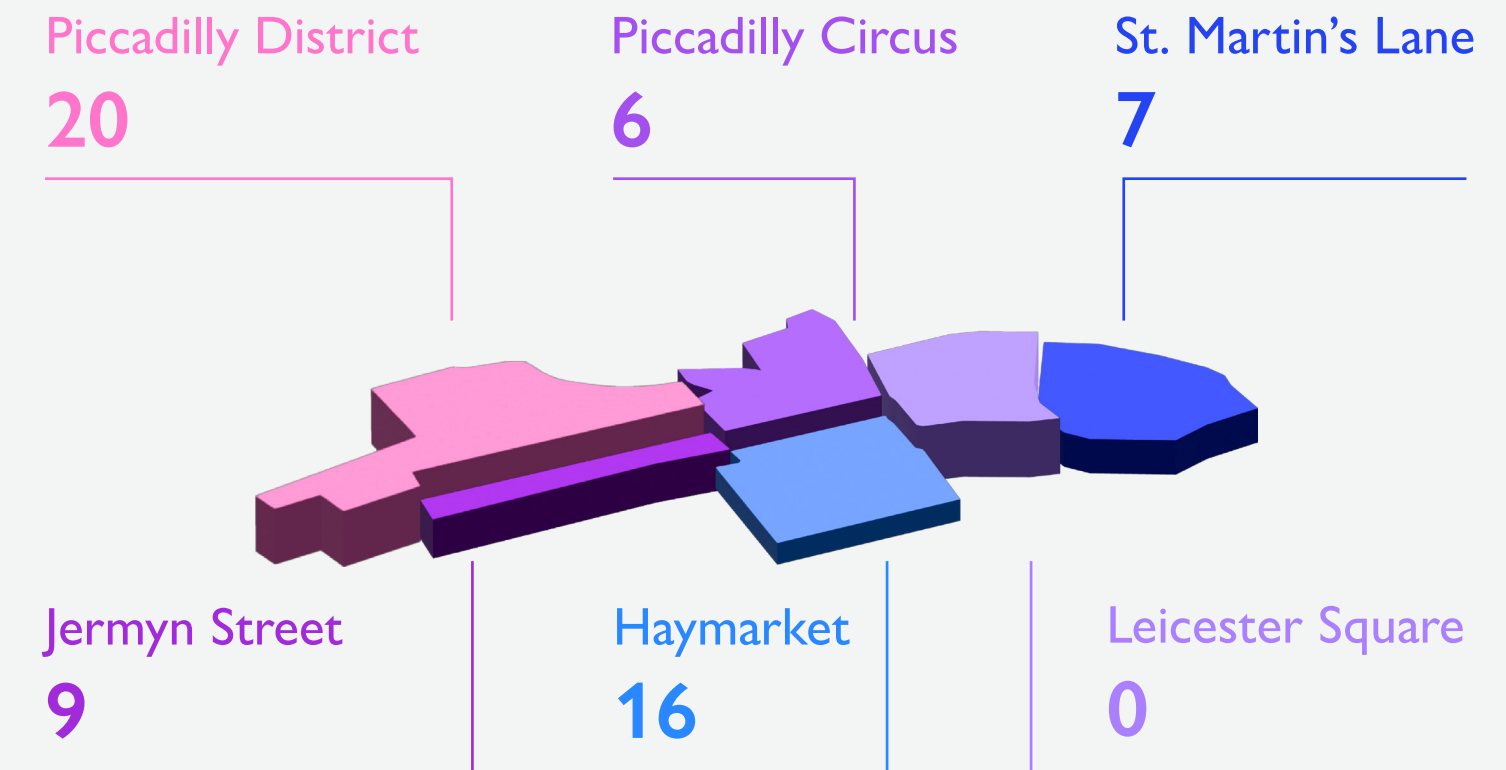
Market Rent Per Sq Ft



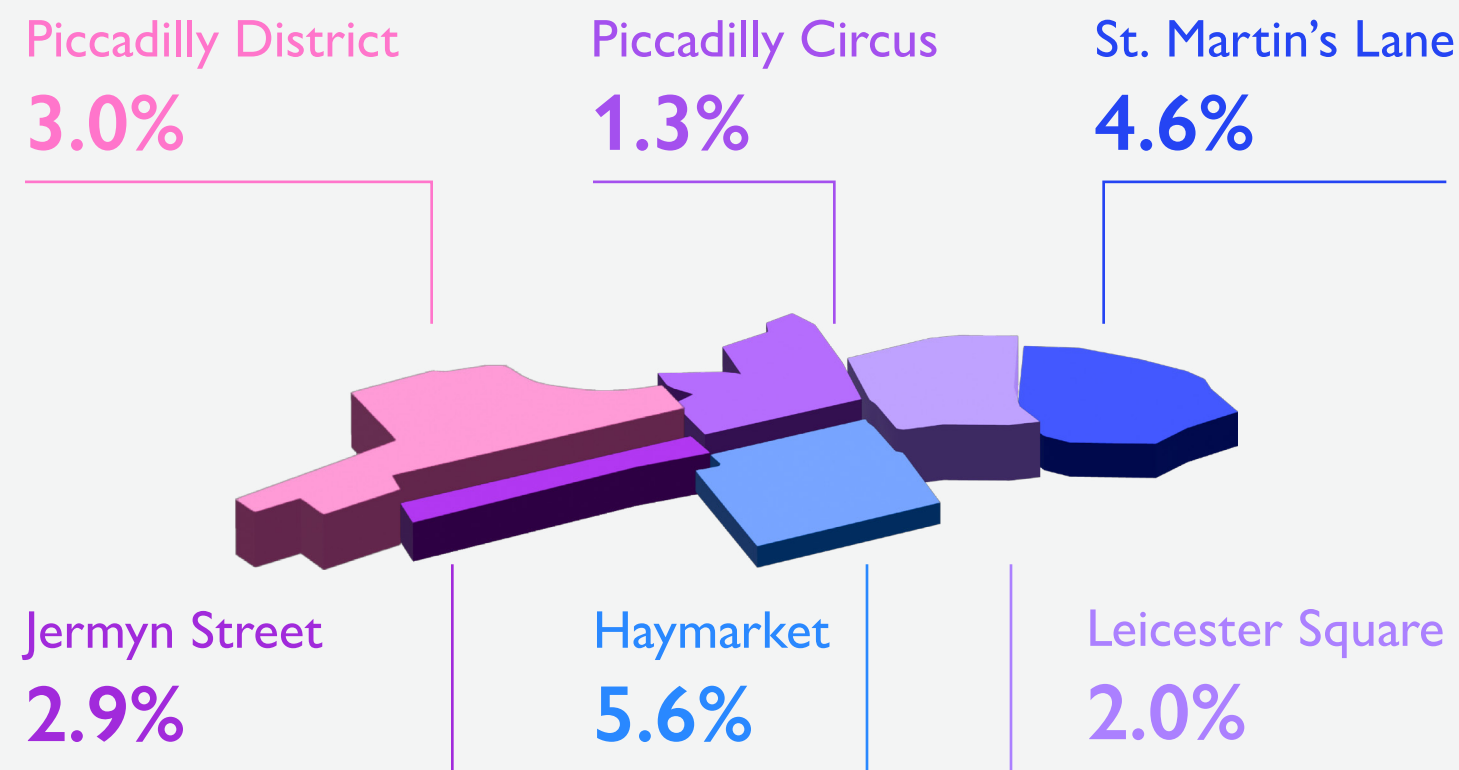
Recent Transactions by Tenant Industry



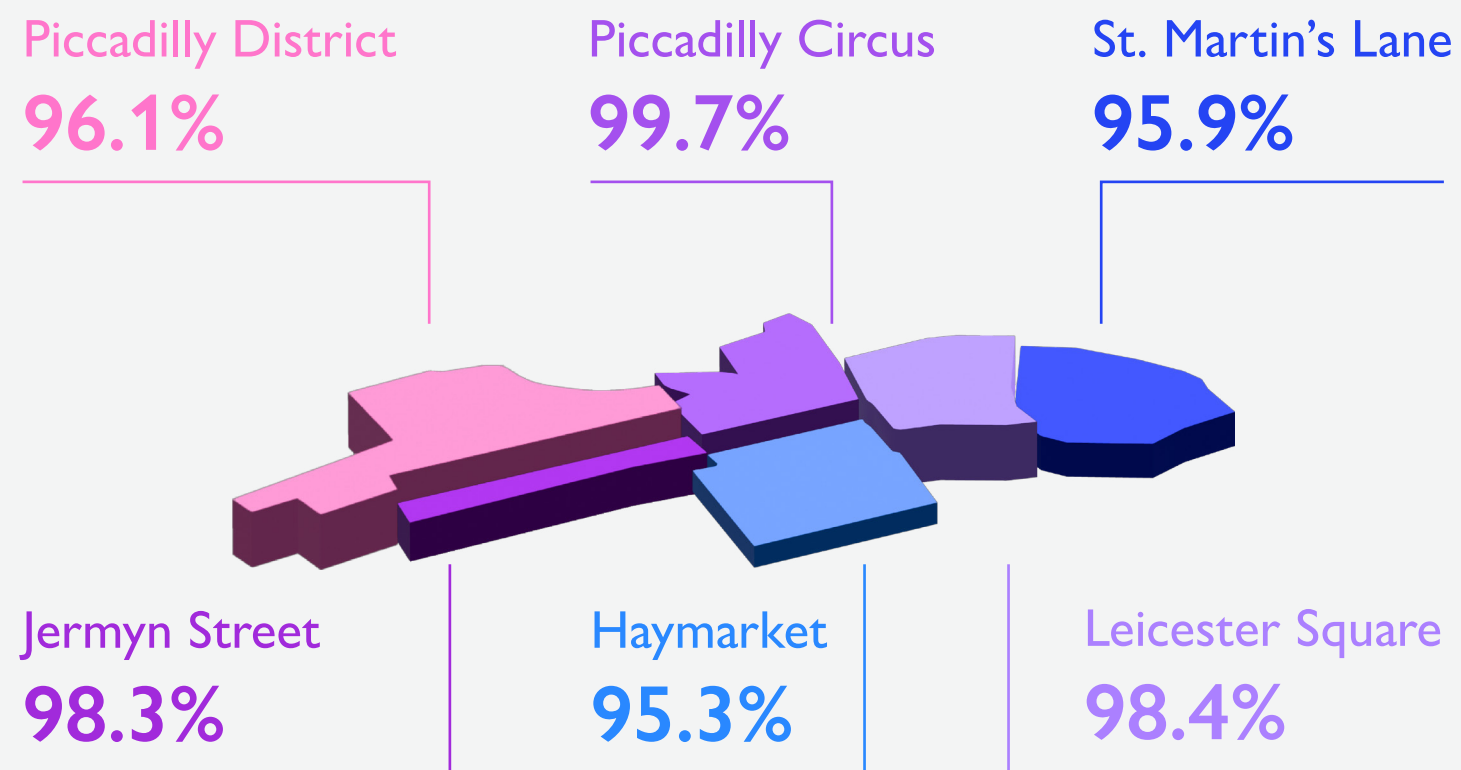
No. of Transactions



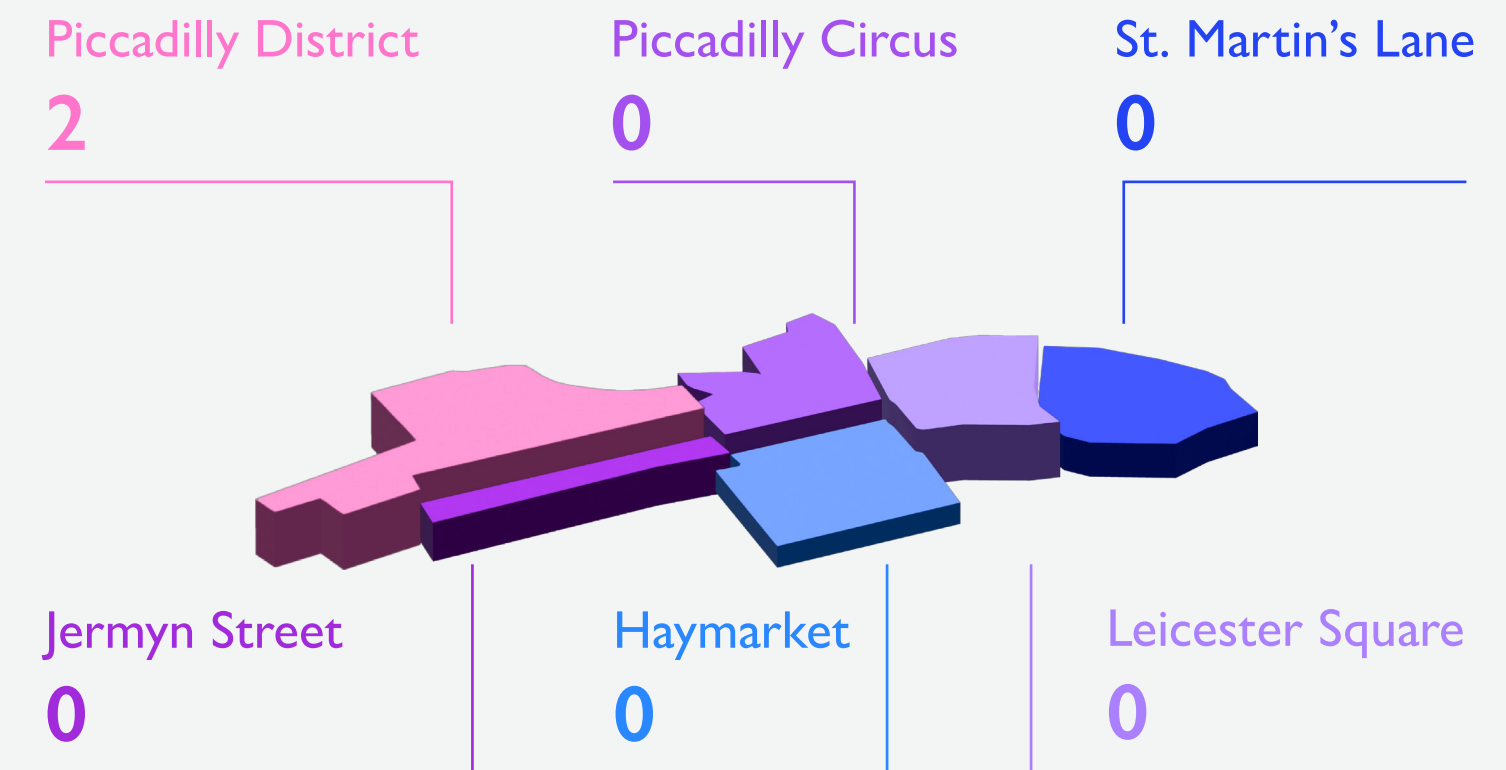
Availability Rate



Occupancy Rate



Pipeline



Footnote: Data Source CoStar (2024).

THE COMMERCIAL MARKET

The study analysed a range of market demand and supply factors including availability, rental growth, leasing transactions, development activity, and future supply to gauge the strength of demand in the local retail and F&B market and its growth on an annual basis. It also considers the wider hospitality and leisure offer across the HOL area.

The overview focuses on the total commercial floor space inventory located within the HOL area. The demand assessment is considered within a complex economic climate, with factors from rising cost of living and reprioritised spending, elevated build costs and global economic events, as well as inflated interest rates. This represents the latest available data between 1 April 2023 and 31 March 2024.

Market Insight

Distrkt.



Camilla Topman

The West End has continued to thrive. The hospitality and leisure markets are driving towards people seeking experiences. Despite this, the last 12 months has been challenging for hospitality operators, as they continue to tackle cost and inflationary headwinds. Factors include staffing and food inflation, in particular.

This has resulted in a 'flight to quality' which is reflected in the high demand for the HOL area, limited supply and high occupancy. This is particularly highlighted by the opening of The Devonshire, in LandSec's Lucent, and the pending opening of Albert's Schloss. The impact of both of these high-profile lettings further cements the desirability of the HOL area.



MARKET OVERVIEW: COMMERCIAL

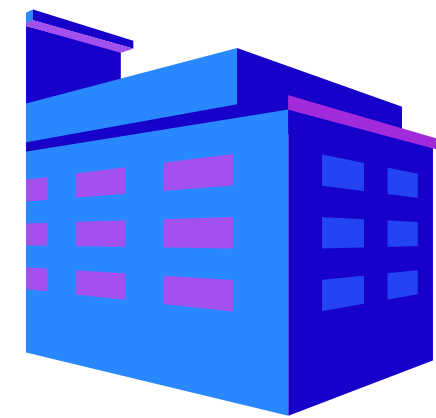
Total Inventory
(Sq Ft)

1.8m

No. of Buildings

168

No. of
Transactions



2023-24 total: 6

2023-24 Q1: 3

2023-24 Q2: 1

2023-24 Q3: 2

2023-24 Q4: 0



Market Rent per Sq Ft

£98.04



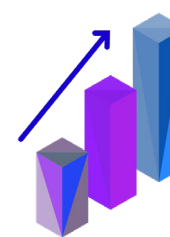
Under Construction (Sq Ft)

2,000



Net Absorption (Sq Ft)

-12,811



Rental Growth

0.9%



No. of Years' Supply
on the Market

4



No. of Transactions
(2022-23)

7

Occupancy rate

2023-24 Q1: 96.0%

2023-24 Q2: 97.7%

2023-24 Q3: 98.6%

2023-24 Q4: 93.6%

Vacant space (Sq Ft)

2023-24 Q1: 37.1K

2023-24 Q2: 40.7K

2023-24 Q3: 24.8K

2023-24 Q4: 22.4K

Availability rate

2023-24 Q1: 4.0%

2023-24 Q2: 2.3%

2023-24 Q3: 1.4%

2023-24 Q4: 1.9%

Properties with
available space

9

West End Metrics

West End overview reported combining relevant CoStar submarkets

No. of Transactions (FY 2023-24)

85

Market Rent per Sq Ft

£105.82

Vacancy Rate

2.3%

No. of Years' Supply on the Market

3.29

Rental Growth

0.10%

There is currently a total of 64,510 sq ft available which comprises just 3.5% of the total retail inventory in the HOL area. This marks a slight decrease in availability, which stood at 3.6% at the end of March 2023. This shows that the HOL area is in high demand given increasingly limited space for potential occupiers. This is also the case in comparison to the wider West End, where the retail availability is 2.8%, slightly below the HOL area. There are just 9 properties representing 4 years of supply on the market at the current take-up rates. Market rent per sq ft is currently at £98.04, lower than the £105.82 per sq ft average for the West End as a whole. Rental growth is currently 0.90%, which is higher than the 0.10% growth in the West End as a whole.

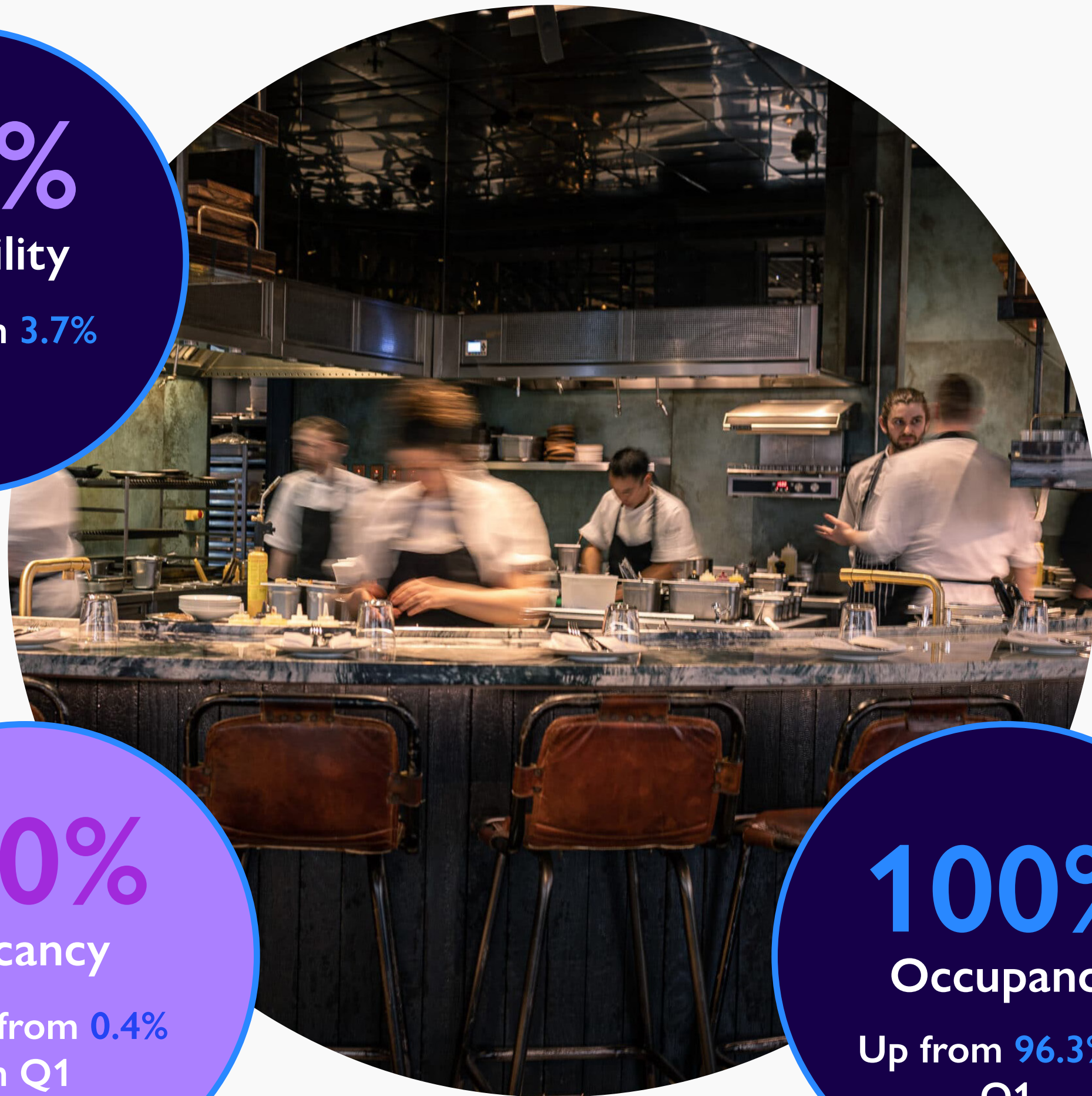
There were just 7 deals reported in the HOL area over the past year. The largest of these deals involved 18,000 sq ft leased on Coventry Street to Albert's Schloss, an Alpine-inspired F&B offering. All other transactions involved retail spaces with less than 10,000 sq ft floor space. There is currently one retail property under construction at 1-4 Bear Street and 47-48 Cranbourn Street which occupies a notable 'wedge' shape. The development will provide 2,000 sq ft of retail floor space and is due for delivery in September 2024.

Footnote: Latest available CoStar data between April 1 2023 and March 31 2024.

LEISURE, HOSPITALITY & F&B

3.6%
Availability
Down from 3.7%
in Q1

0.0%
Vacancy
Down from 0.4%
in Q1



1,161 sq ft
Net absorption
Up from -8,233 sq ft
in Q1

£83.75
Market asking rent
per sq ft. Up from
£83.73 in Q1

Properties spend an
average of
0.3
months on the market, down
from 6.0 months in Q2 2023

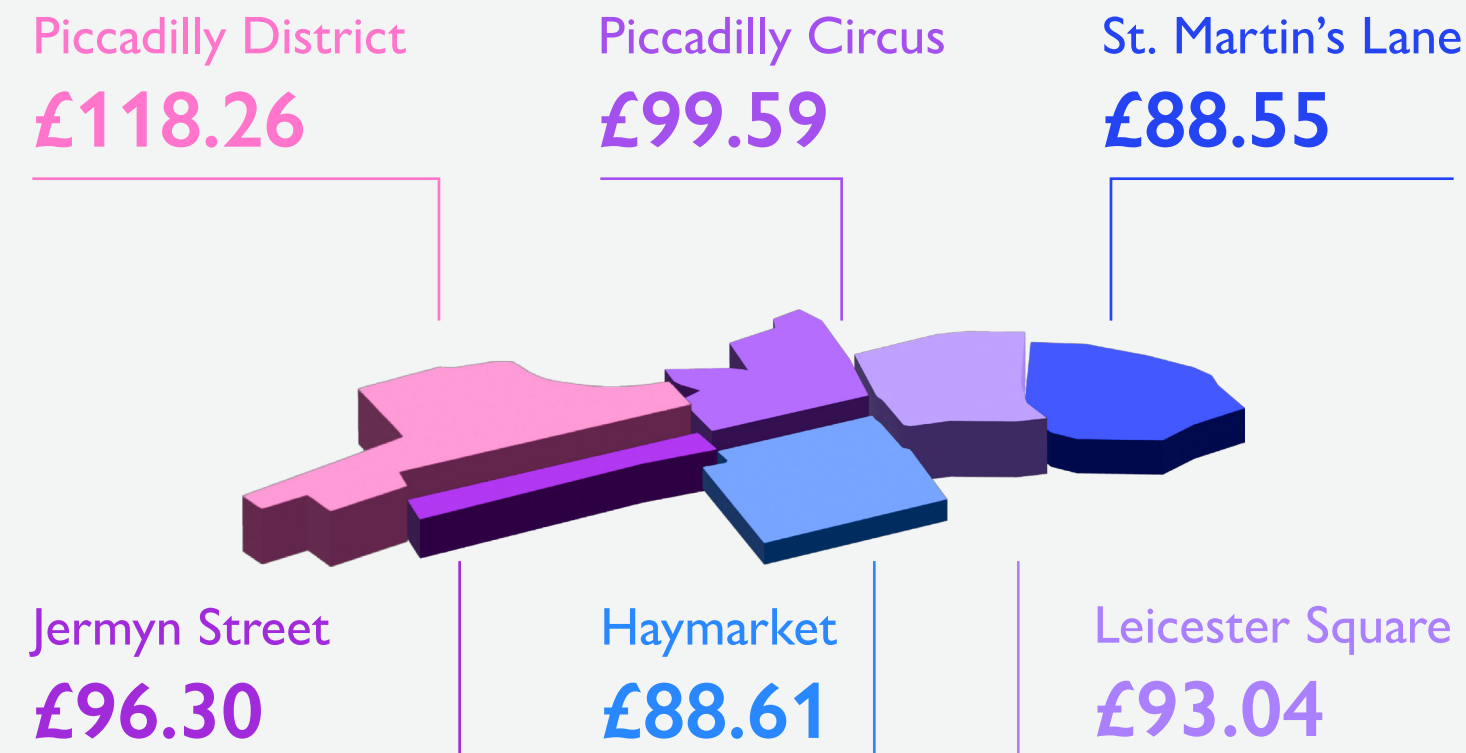


100%
Occupancy
Up from 96.3% in
Q1

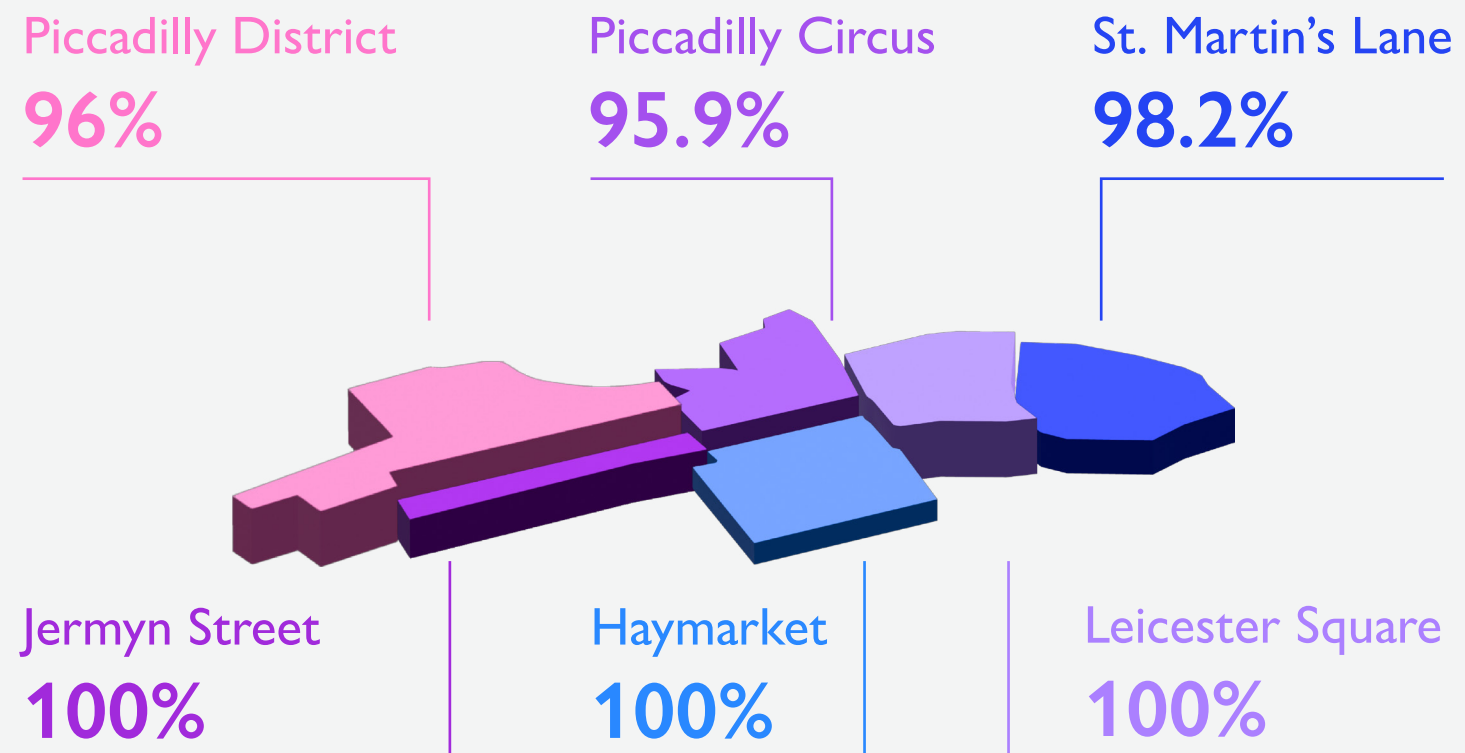
Footnote: Latest available CoStar data between 1 April 2023 and 31 March 2024. The above figures include properties categorised under specific CoStar Secondary Types (Bar/Nightclub, Casino, Fast Food, Hotel, Movie Theatre, Restaurant, Quick Service, Theatre/Concert Hall). These are considered to fall under the broad headings of leisure, food and beverage, and hospitality, in markets where CoStar is producing analytics.

DISTRICT-LEVEL ANALYSIS: COMMERCIAL

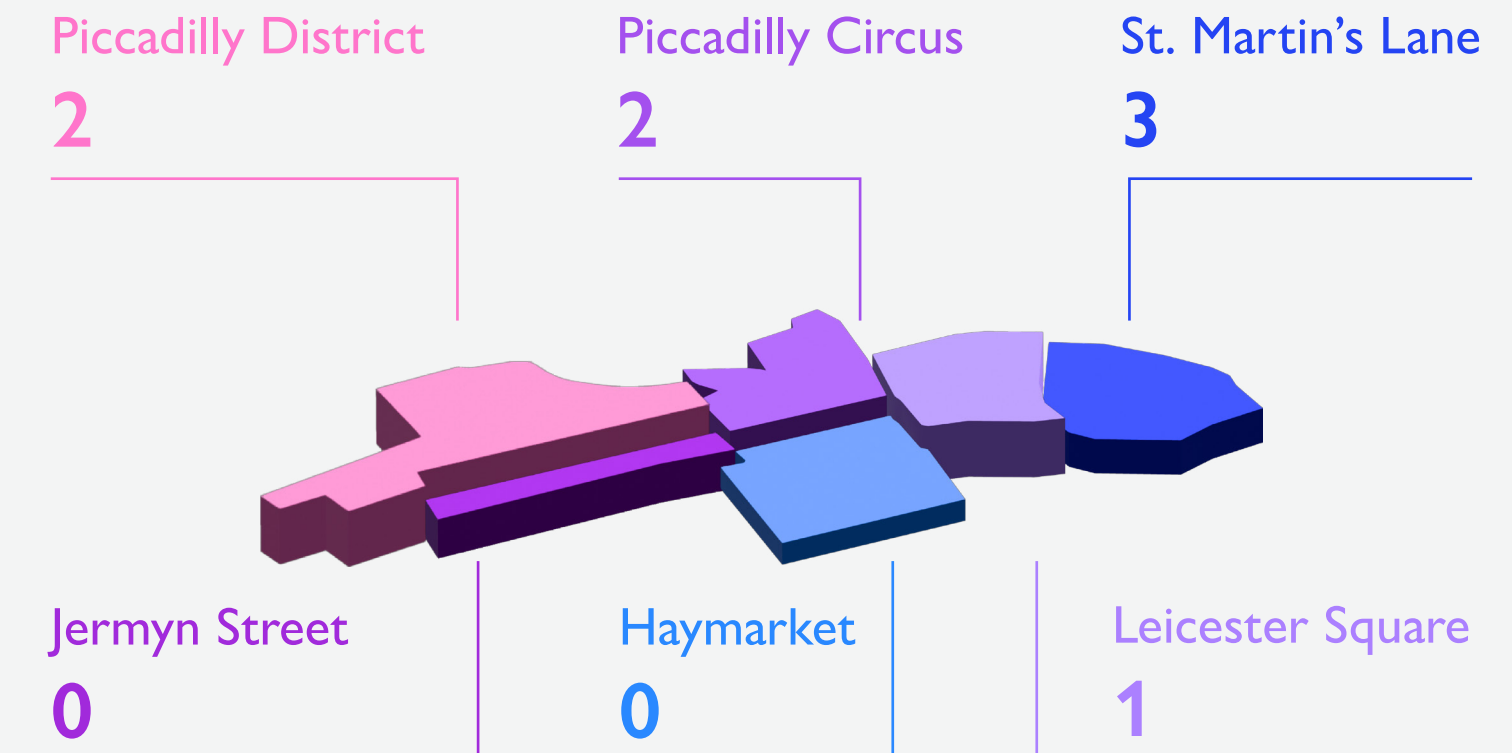
Market Rent Per Sq Ft



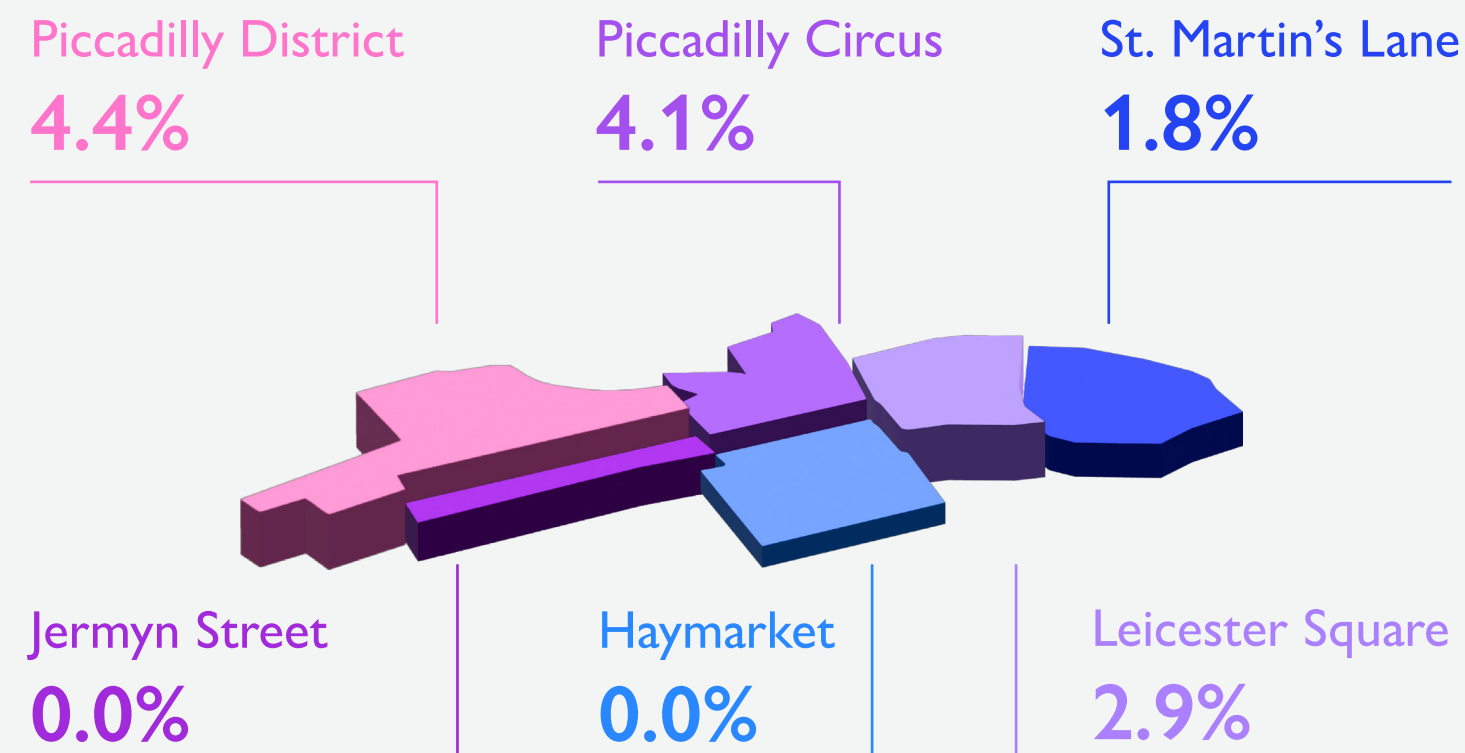
Occupancy Rate



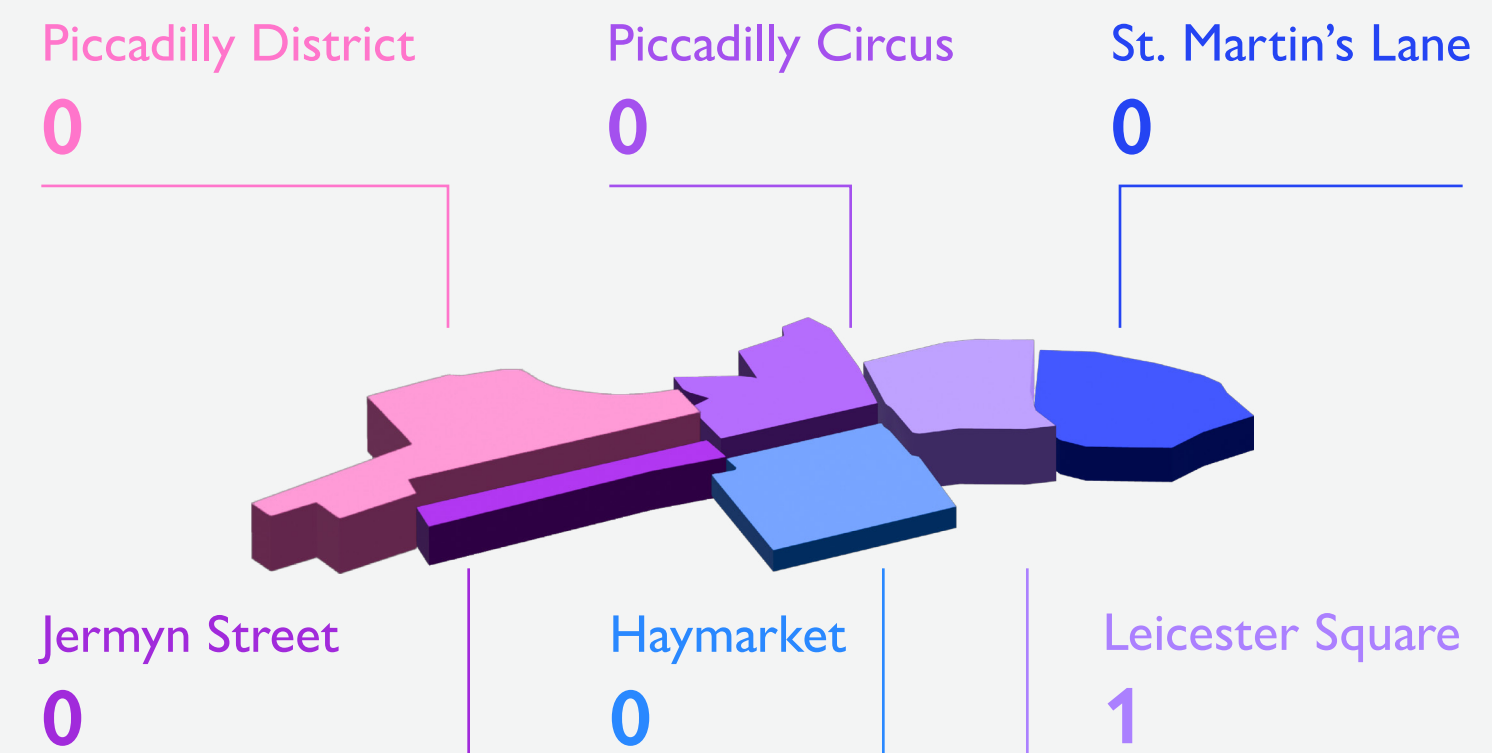
No. of Transactions



Availability Rate



Pipeline



Footnote: Data Source CoStar (2024).

INVESTMENTS

A positive year for the investment market with deals in all sectors.

There have been 12 confirmed investment deals in the past financial year. One of the biggest in the HOL area over the year involved serviced residence owner-operator CapitaLand Ascott Trust who bought The Cavendish Hotel at 81-84 Jermyn Street. The luxury hotel is set to be transformed into luxury serviced apartments that would increase the value of the property to £316 million by 2027 after CapitaLand paid £215 million in 2023. The 230-bedroom hotel was purchased from Ellerman Investments in a deal brokered by Jones Lang LaSalle Hotels. This deal shows the resilience and strength of the London hospitality market.

Another major deal in the West End over the year involved major HOL area landowner Criterion Capital who bought Haymarket House for circa £135 million from Federated Hermes and CPPIB. The building comprises of vacant offices along with ground floor retail and leisure uses and is located across Haymarket, Coventry Street and Oxendon Street. Savills was the listing agent and Knight Frank advised Criterion. The vacant upper floors will become a hotel, and retail and leisure uses will remain on the lower floors.

33 Sackville Street, a 3,200 sq ft office building built in 1789, sold for £6.5 million. The building was purchased by an owner /occupier and the sale was advised by Savills.

The Radisson Blue Edwardian Hampshire at 31 to 36 Leicester Square was sold as part of a portfolio of 10 hotels bought by Starwood Capital Group from the Edwardian Group for an undisclosed sum via an off-market transaction.

3 to 5 Wardour Street, a 9,251 sq ft office building, was sold for £9,850,000 of a yield of 6.31% to an undisclosed buyer.

MARKET INSIGHT

michael elliot



Mark Shipman

The market has been active but constrained over the last year by elevated interest rates. We can expect to see a similar pattern in coming months as rates hold. The market for office space is performing well, with a notable proportion of transactions over the last year. A sizable proportion of transactions and pipeline schemes involve listed buildings, which have historically performed well once refurbished. There are two schemes on Sackville Street to watch. Pegasus House at 37 Sackville Street will include 115,000 sq ft of retail, restaurant, residential and 8 storeys of office. Constructed by McLaren, the project is due to complete in Q2 2025. Grade II listed 40 Sackville Street is also due for full refurbishment, following the granting of planning consent for 30,000 sq ft of sustainable office space.

522,690 sq ft

Sq ft transacted

£550,000,000+

Total Value

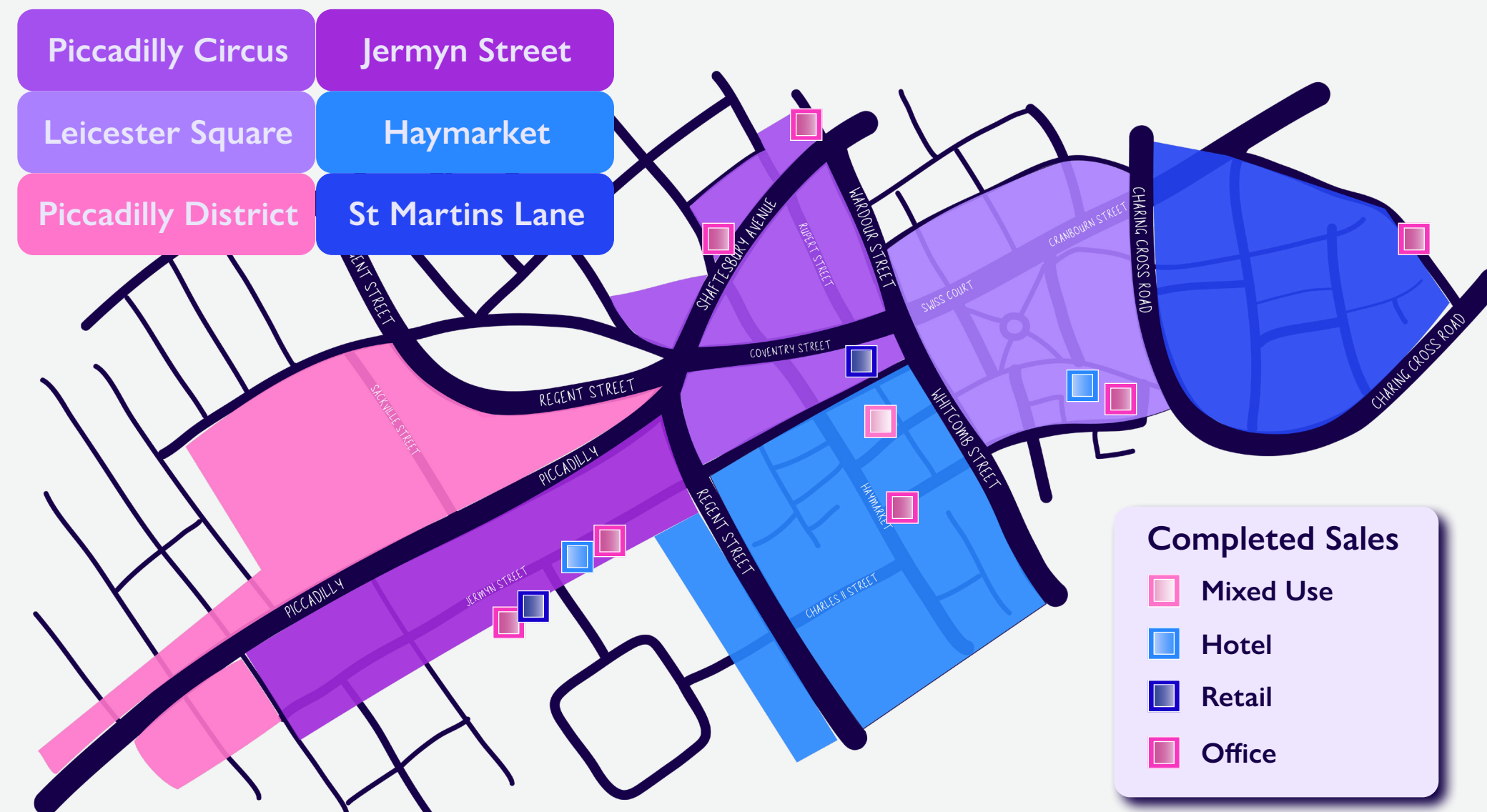
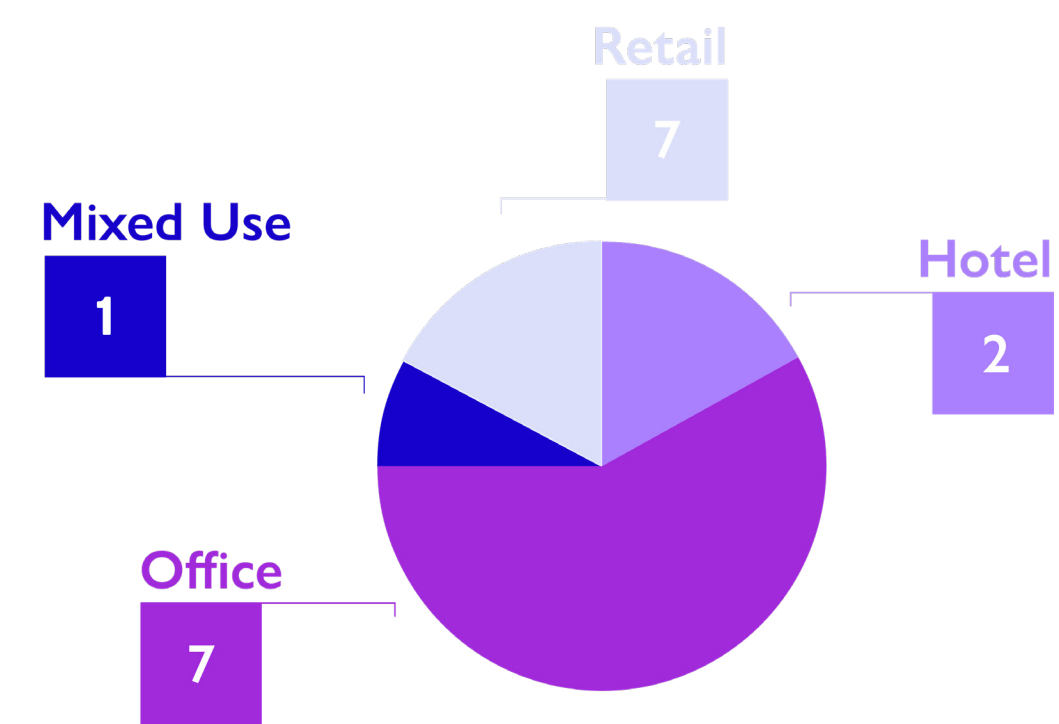
£1,050

Average price per sq ft - c.a.

196,210 sq ft

Largest Transaction

USE CLASSES



Footnote: Latest available CoStar data between 1 April 2023 and 31 March 2024.

THE HOTEL MARKET

The hotel market overview looks at a range of market demand metrics and supply factors specific to the HOL area and its hotel market in comparison to the wider West End, including occupancy growth, ADR growth, RevPAR growth, development activity, and construction supply. The aim of this approach is to gauge the strength of demand in the local hotel market and its growth on an annual basis.

The hotel market has seen a steady growth of key indicators over the last year, with the post-pandemic recovery leading to growing demand in the HOL area, mixed with the strength of the UK stay-cation market and increasing levels of business travel.

However, this has been coupled with inflation and an economy in a shallow recession, higher costs of living and reduced consumer confidence. Hoteliers themselves also face increasing cost pressures, with the minimum wage to increase by 10% from April 2024 and the increasing operational costs due to inflation. Nevertheless, the hotel market in the HOL area is going from strength to strength, and the outlook is for increased growth and demand in the area across the next year with anticipated further growth in occupancy levels and room rates achieved.



VACANCY, REVPAR & ADR

There are currently 3,445 hotel rooms with an occupancy rate of 78.50%. This marks a significant increase in occupancy levels which stood at 71.0% at the end of 2022. This remains slightly below pre-pandemic levels when occupancy rates peaked, reaching 82.3% in February 2020. This growth provides evidence that the HOL area remains in high demand, with increasingly limited availability. ADR and RevPAR have both risen in line with occupancy, with ADR increasing 4.10% and RevPAR increasing 12.40%, and currently stand at £288 and £230, respectively. These reflect the average revenue earned for an occupied room and the ability of a hotel to fill its available rooms. The HOL area performance is driven by the continued resilience of the luxury hotel sector. The HOL area is performing in line with the wider West End.

As a result, demand for hotel accommodation is expected to continue to grow throughout 2024, a continuation of current trends and post-pandemic recovery. RevPAR for luxury hotels has risen rapidly, and is now £340, 10.5% higher than at the end of 2022. It significantly exceeds the HOL area average of £230 and is more than double the RevPAR for upscale, midscale, and economy hotels. This makes luxury hotels in the HOL area the strongest performers compared to all other hotel types in RevPAR terms. Consistently high occupancy will mean luxury hotels will continue to be lead performers throughout 2024.

There has been one leasing transaction involving hotel properties over the past year involving the One Leicester Street Hotel at 1-2 Leicester Street. This is a 17-room, 4 Star hotel which was leased in March of 2024. There is currently one new hotel property under construction, as part of Criterion Capital's conversion of office space at 1 Jermyn Street to the Criterion Hotel. The site occupies a well-known, highly sought after position between Haymarket and Regent Street.



Total Hotels
24

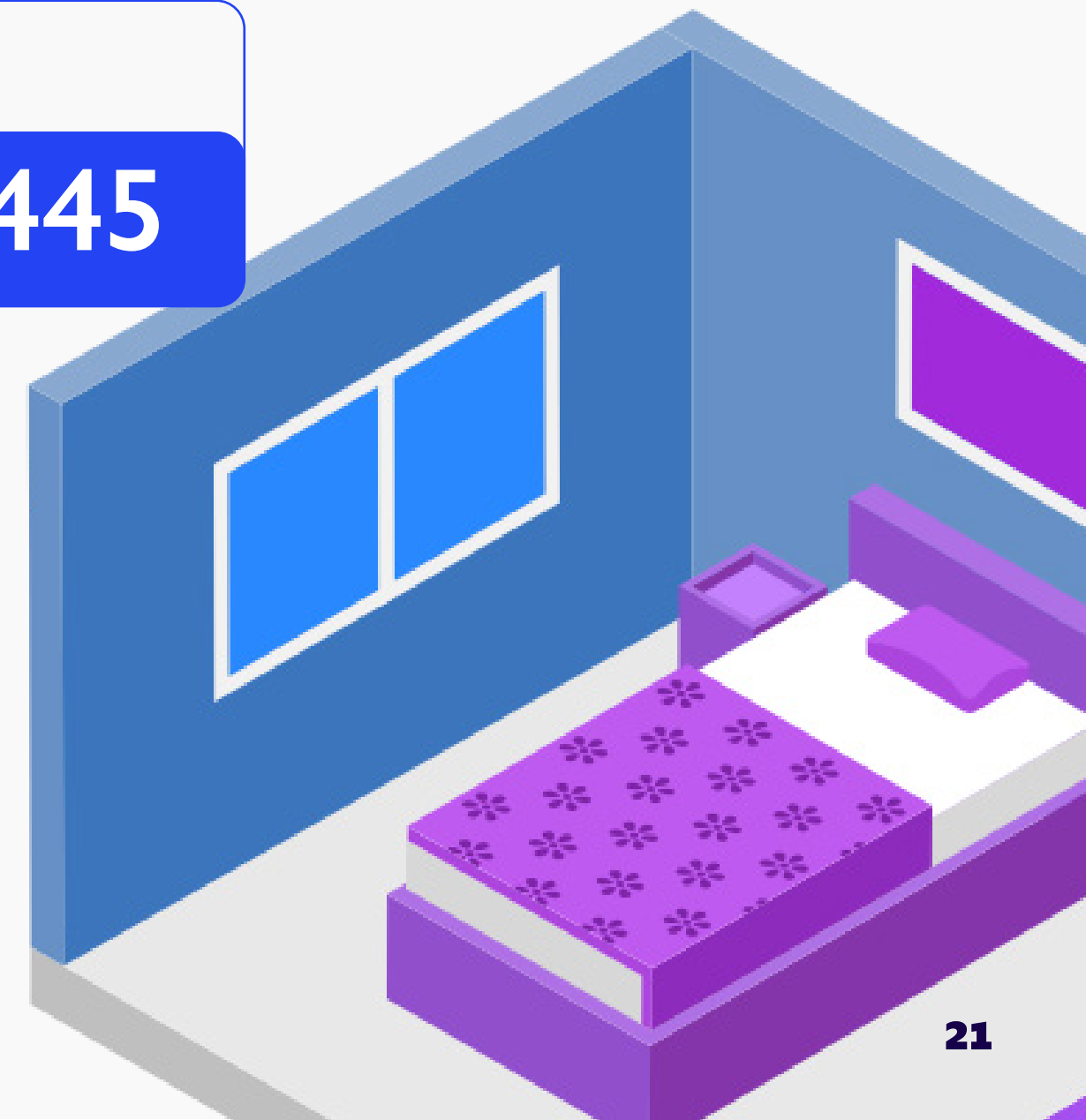
Occupancy Rate
78.5%
(+8% year on year in absolute percentage terms)

ADR
£288
(+4.1% year-on-year growth)

RevPAR
£230
(+12.4% year-on-year growth)



Total Rooms
3,445



Footnote:
RevPAR Definition: Revenue per available room.
ADR Definition: Average Daily Rate.

ARTS AND CULTURE

The Heart of London (HOL) area is rich in arts and cultural offerings that significantly contribute to the output of London's creative industries. The HOL area is the hub of London's celebrated film and entertainment industry, featuring world-renowned theatres, premieres, art galleries, and tourist attractions unmatched around the globe.

Over half of London's West End cinemas and one-third of its famous West End theatres are situated here. The HOL area is also home to three major national arts institutions: the Royal Academy of Arts, the National Portrait Gallery, and the English National Opera - pillars of the city's creative heritage. Furthermore, the HOL area hosts 14 art galleries, including the prestigious Royal Watercolour Society Gallery, and 17 theatres such as the renowned Harold Pinter Theatre, His Majesty's Theatre, and the Apollo Theatre.



ARTS AND CULTURE

Box Office 2023 Data - The Society of London Theatre (SOLT)

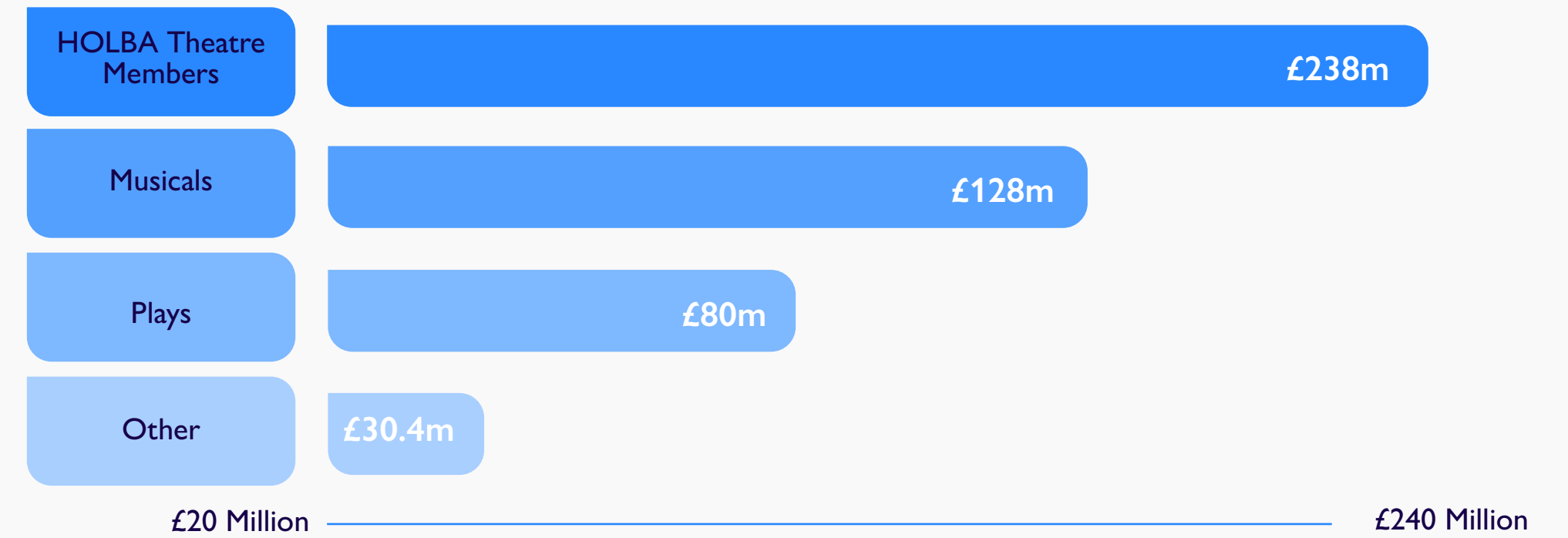


According to the Society of London Theatre (SOLT), in the calendar year 2023, theatres in the HOL area generated £238.4 million in gross revenue, accounting for a significant 24% of the total gross revenue across all SOLT member theatres. HOL theatres attracted an impressive 4.2 million attendees, representing approximately one-quarter of the total attendance for all SOLT members.

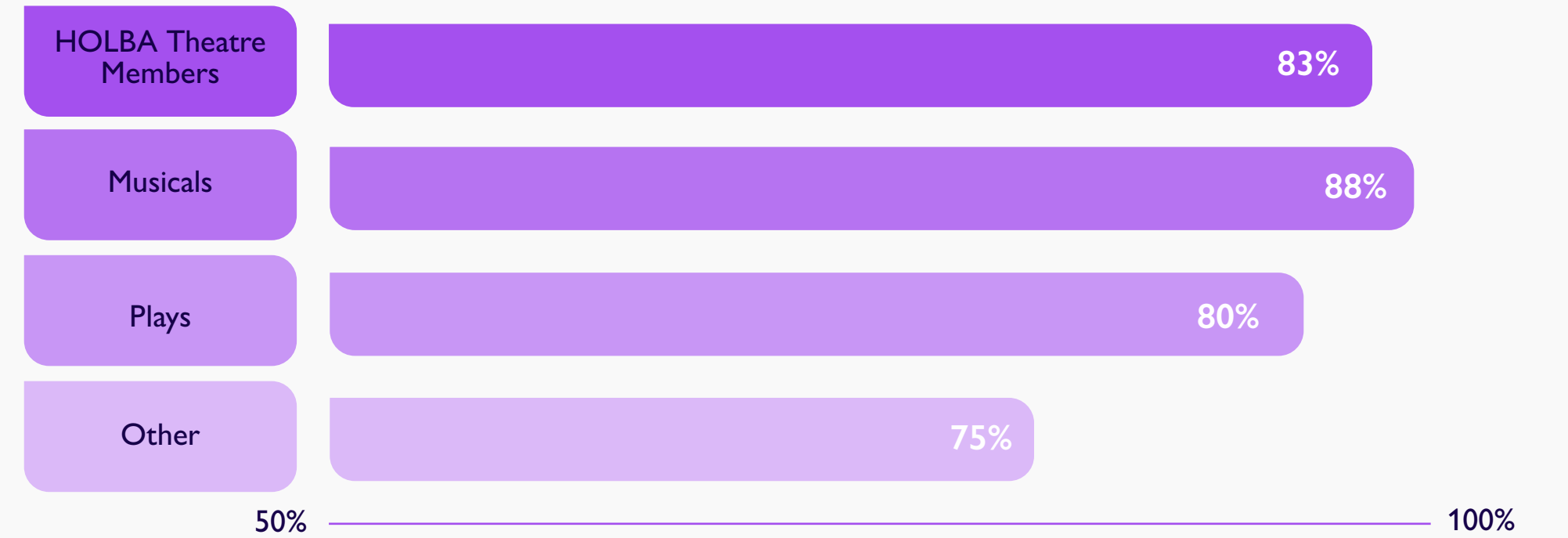
Among the different genres, in 2023 musicals emerged as the most popular and financially successful for the HOL theatres. The HOL theatres generated a substantial £128 million in gross revenue from musical productions, which makes up 53% of the total gross revenue generated by the HOL theatres. The popularity of musicals in the HOL area was further reflected in the impressive 88% occupancy rate, outperforming the average occupancy rate for musicals among all SOLT members by 3 percentage points.

Phantom of the Opera, Les Mis, Book of Mormon and We Will Rock You emerged as the top four highest-grossing and most attended shows within the HOL theatres, solidifying their prominence in London's musical theatre landscape.

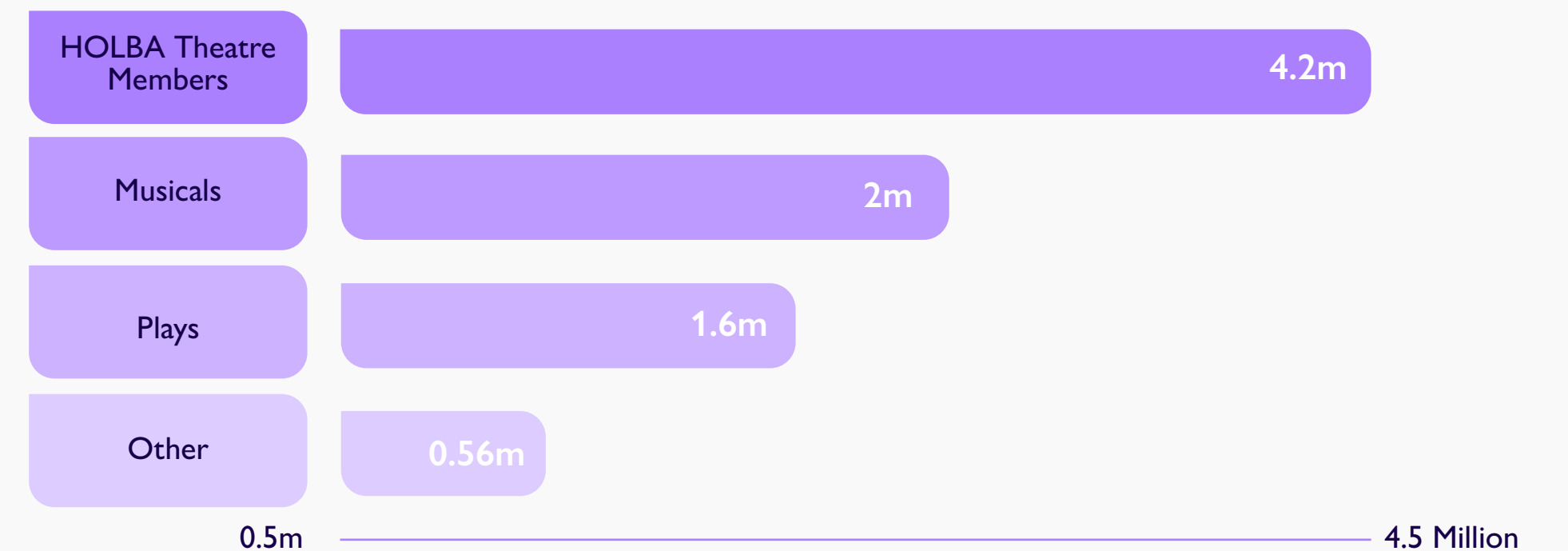
Gross Revenue



Occupancy Rates



Attendees



Footnote: Source: Society of London Theatre.

ARTS AND CULTURE

Press Release -
 The National Gallery

THE
 NATIONAL
 GALLERY

200th
 ANNIVERSARY

Situated adjacent to the HOL area in St. Martin's Place, The National Gallery had a successful year in 2023, attracting over 4 million visitors to view its renowned art collections, both at its main London location and through touring exhibitions worldwide. The Trafalgar Square gallery saw a 14% increase from the previous year, welcoming over 3 million guests. A further 26,201 visits were made during 2023 by school students and teachers to the Gallery in Trafalgar Square while 6,035 visits were made online by students and teachers. In addition to the in-person visitors, the gallery engaged many more through its digital platforms, education programs, and special events like the popular "Summer on the Square" festival.

The gallery's online videos received an impressive 60 million views across various social media channels. According to the director, Dr. Gabriele Finaldi, the gallery remains committed to making art accessible to diverse audiences. Looking ahead to 2024 and the gallery's bicentennial, it plans to continue innovating with exciting new programs to share its collection with even more people globally, both in-person and through digital experiences.

The National Gallery celebrated its 200th Anniversary on 10 May 2024. For the entire year thereafter, this historic institution will run a festival of art, creativity, and imagination, setting the tone for its third century. Aside from the Gallery itself, the exhibition will stretch across the nation and the world through a series of online and virtual events.

Twelve simultaneous exhibitions opened on 10 May 2024 to kick off the celebrations at 12 museums and galleries across the 12 regions of the UK, each of which focuses on a National Treasure. These include a travelling art studio tour, a national public art commission, a collaboration with 200 social media creators, an online film series, a festival in Trafalgar Square, and a dramatic redisplay of the whole National Gallery collection, among many others.

The National
 Portrait Gallery -
 Reopening

NATIONAL
 PORTRAIT
 GALLERY

In summer 2023, after three years of closure, the new National Portrait Gallery reopened after its most significant transformation since 1896, comprising a complete redisplay of its Collection and a major refurbishment of its building. This included the creation of new public and social spaces, a more welcoming visitor entrance and public forecourt, and a state-of-the-art Learning Centre. Now open to the public, the NPG has significantly increased the number of portraits on display, with over 50 new acquisitions and commissions exhibited across historic and contemporary galleries. Presenting a more inclusive and dynamic picture of the people who have contributed to the UK's rich history, 48% of the portraits in the post-1900 galleries are of women (up from 35%) and 11% of all works on display are portraits of UK ethnic minority sitters (up from 3%).

Since reopening, the Gallery has welcomed 1.8m visitors, up 20% on pre closure figures and in the first 9 months first-time visits were up 20%, visits from disabled people up 133% and family groups increased by 46%. Over 11,000 schoolchildren visited the Gallery during the summer term alone in 2023, representing a 200% increase compared to pre-closure. 97% of visitors rate their experience as good or excellent and 99% said they would recommend a visit. Incidental visits by those in the area for another reason who decided to visit on the day are up 56% indicating that the Gallery is much more connected to the local area.

INSIGHTS

Our Insights focus on a range of metrics, including transport, footfall, visitor demographics, consumer spending, social media mentions, and publications, announcements and consultations from key stakeholders across the HOL area. The insights are considered within a complex economic climate, with factors from employees being encouraged to return to the office, the introduction of the Mayor of London's Off Peak Fridays and the cost of living crisis.

We report on a range of factors specific to the HOL area, including who is visiting the area and where and what they are spending. We look at correlations with footfall and spend patterns and review how that is changing year-on-year. Additionally, we look at how the area is performing across Social Media, benchmarking it nationally and internationally, to determine the HOL area's status as a global destination.



TRANSPORT

The HOL area is home to three Underground stations – Green Park, Piccadilly Circus and Leicester Square (the HOL stations) and together they give visitors access to five major Underground lines: Jubilee, Piccadilly, Victoria, Bakerloo, and Northern Line.

In the financial year 2023-24, passenger journeys for the HOL stations reached a total of 87 million. This makes up 35.7% of the total passenger journeys made in all West End Stations (Marble Arch, Bond Street, Oxford Circus, Tottenham Court Road, and the HOL stations). Among the three HOL stations, Leicester Square station had the highest number of passenger journeys at 29.98 million, which makes up 34.45% of the total passenger journeys made through the three HOL stations in 2023-24.

Looking at each quarter, the number of journeys peaked in the third quarter, with almost 23.7 million people passing through the HOL area stations, owing to the popularity of the West End in particular during the festive season. Green Park station had the highest passenger journeys at 8.2 million during the same period, which makes up 34.6% of the total passenger journeys made in the HOL stations.

The lowest passenger journeys for the HOL stations were recorded in the last quarter of 2023-24 (January, February, March) at 18.8 million, which makes up 34.8% of the total passenger journeys made in all West End Stations. Among the three HOL stations, Piccadilly Circus station had the lowest number of passenger journeys at 5.7 million during the same period. These reductions can be attributed to colder weather and post-festive period consumer behaviour.

PASSENGER JOURNEYS



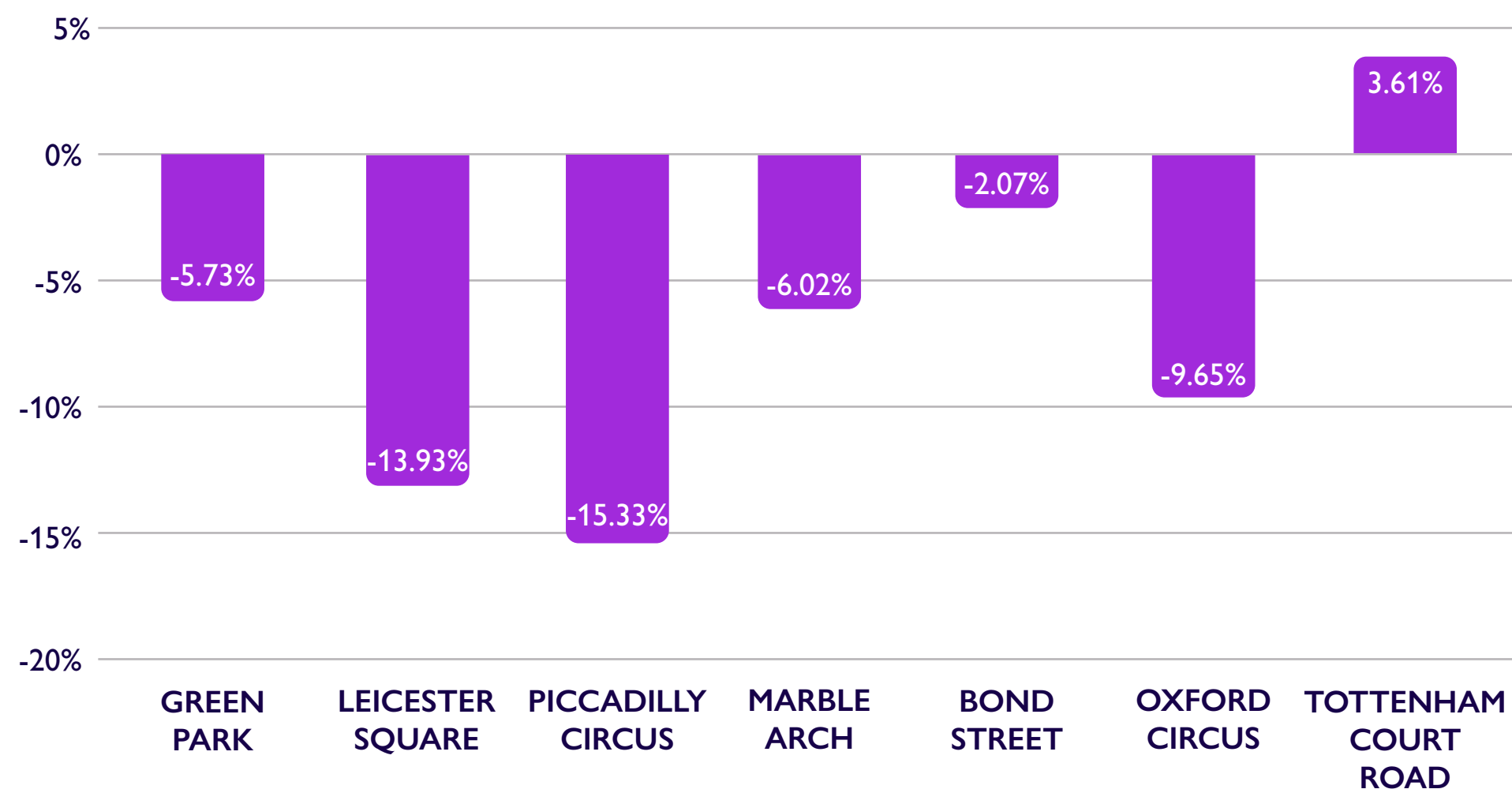
Footnote: Latest available data from Transport for London (2024).

TRANSPORT

Passenger journeys in the HOL stations declined by 11% between March of 2023 and 2024, whilst the West End stations saw a decline of 6.15%. Out of all the West End stations, Piccadilly Circus station in the HOL area witnessed the highest decline in passenger journeys by 15.33%. Tottenham Court Road was the only station that showed a growth in passenger journeys, of 3.61%, due in part to the continuing operation of the Elizabeth Line during strikes.

The apparent decline in passenger journeys across the West End stations in 2023-24 is not indicative of an overall drop in ridership, but rather a redistribution of passengers to stations served by the Elizabeth Line. This trend mirrors the patterns observed in the initial year of Elizabeth Line operations, when stations like Green Park, Leicester Square, Marble Arch, and Oxford Circus experienced declines in passenger numbers, while Tottenham Court Road (+7.75%) and Bond Street (+0.35%) saw corresponding increases due to passengers switching to the new rail service.

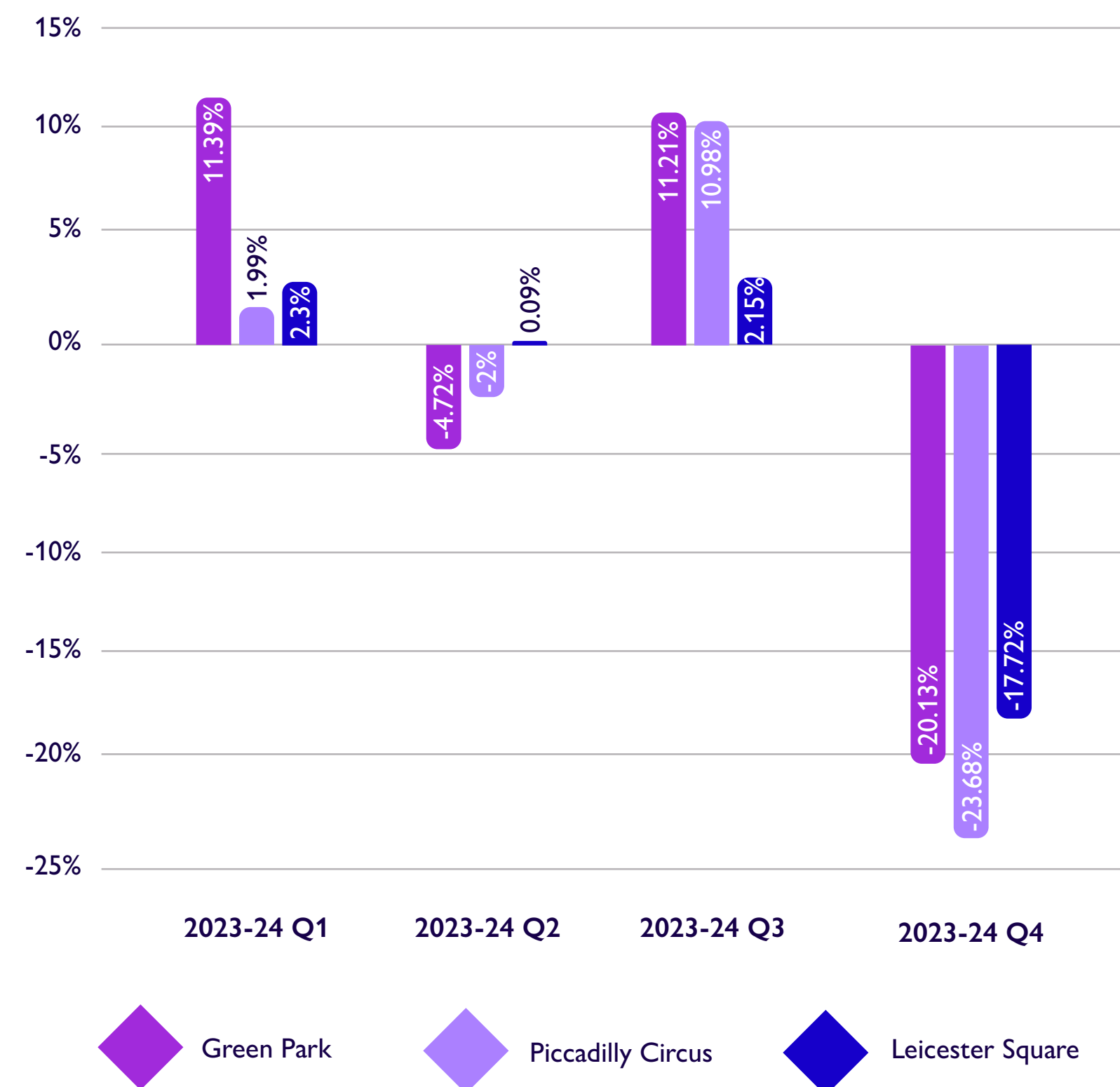
Change in Passenger Journeys 2023-24



Looking at the quarter-to-quarter change for the HOL stations, Q1 and Q3 witnessed a growth in passenger journeys. Q3, being a festive period, had the highest growth in passenger journeys at 8% compared to the previous quarter.

Following this peak, Q4 witnessed a sharp decline in passenger journeys by 20% compared to Q3.

Quarter-to-Quarter change in Passenger Journeys

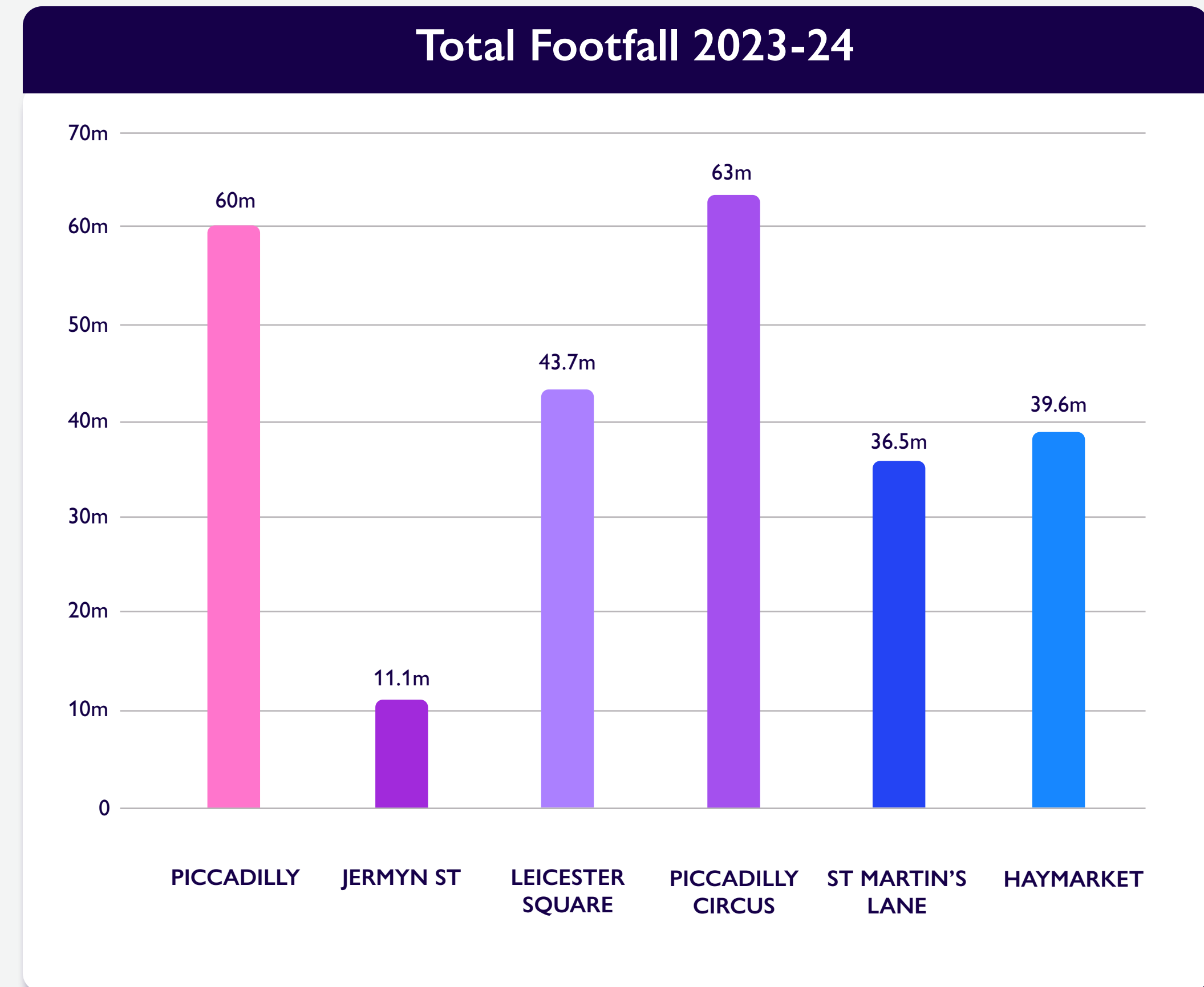
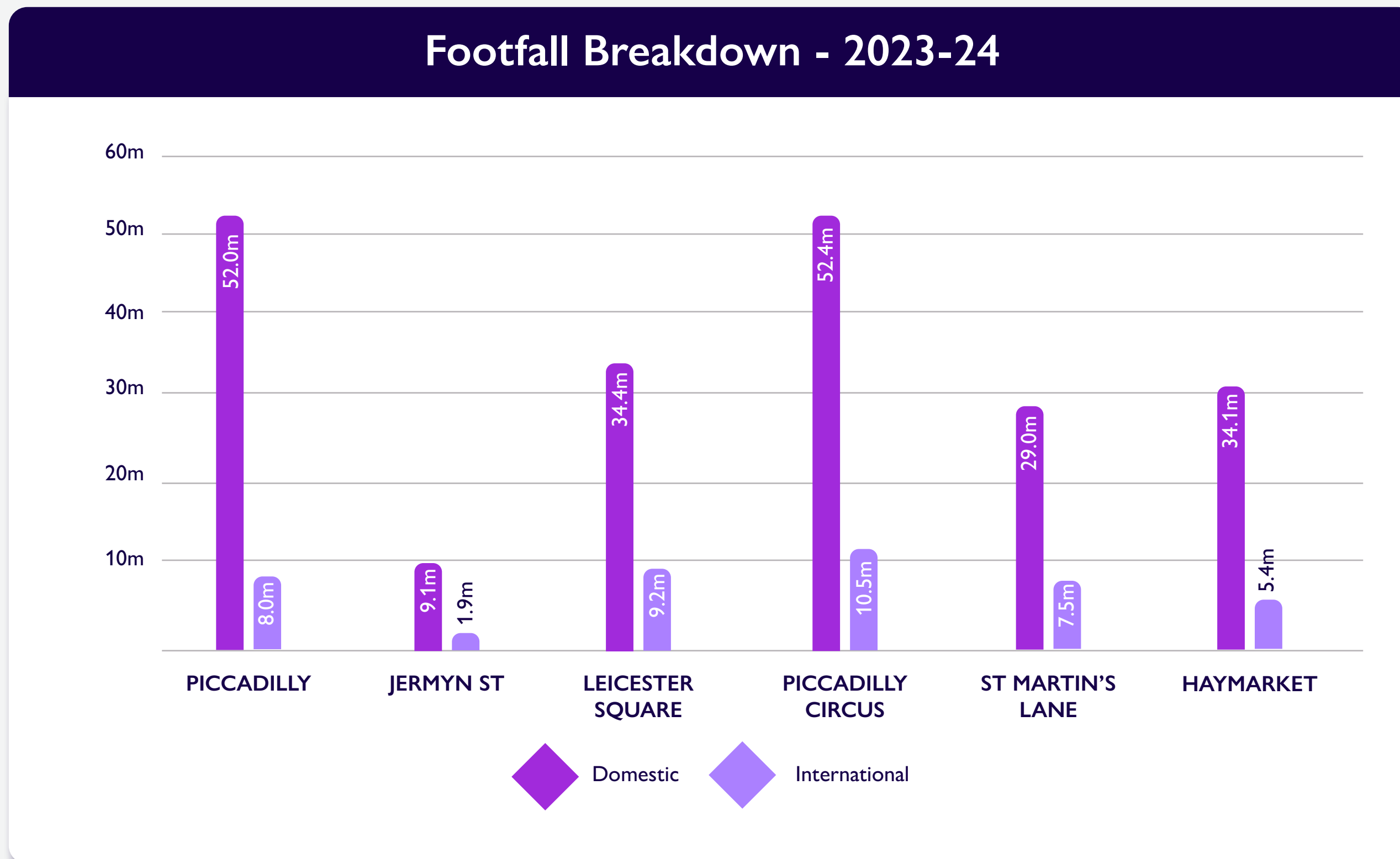


Footnote: Latest available data from Transport for London (2024).

FOOTFALL: ANNUAL

Footfall in the HOL area for the 2023-24 financial year reached a total of 158.6 million, which made up over one-third of the total foot traffic through the Core West End area. Among the six HOL districts, Piccadilly Circus had the highest footfall last year at 63 million.

The HOL area had 133.5 million domestic visits and 25 million international visits last year. Among the six HOL districts, Piccadilly Circus had the highest number of international and domestic visits at 10.5 million and 52.4 million respectively. Looking at the year-on-year change, the HOL area witnessed an 11% decrease in footfall, while the Core West End area experienced a 9% decline. Within the six districts of the HOL area, Leicester Square had the most substantial drop in footfall at 16%. On the other hand, Jermyn Street showed the highest growth, with a 5% increase in footfall.



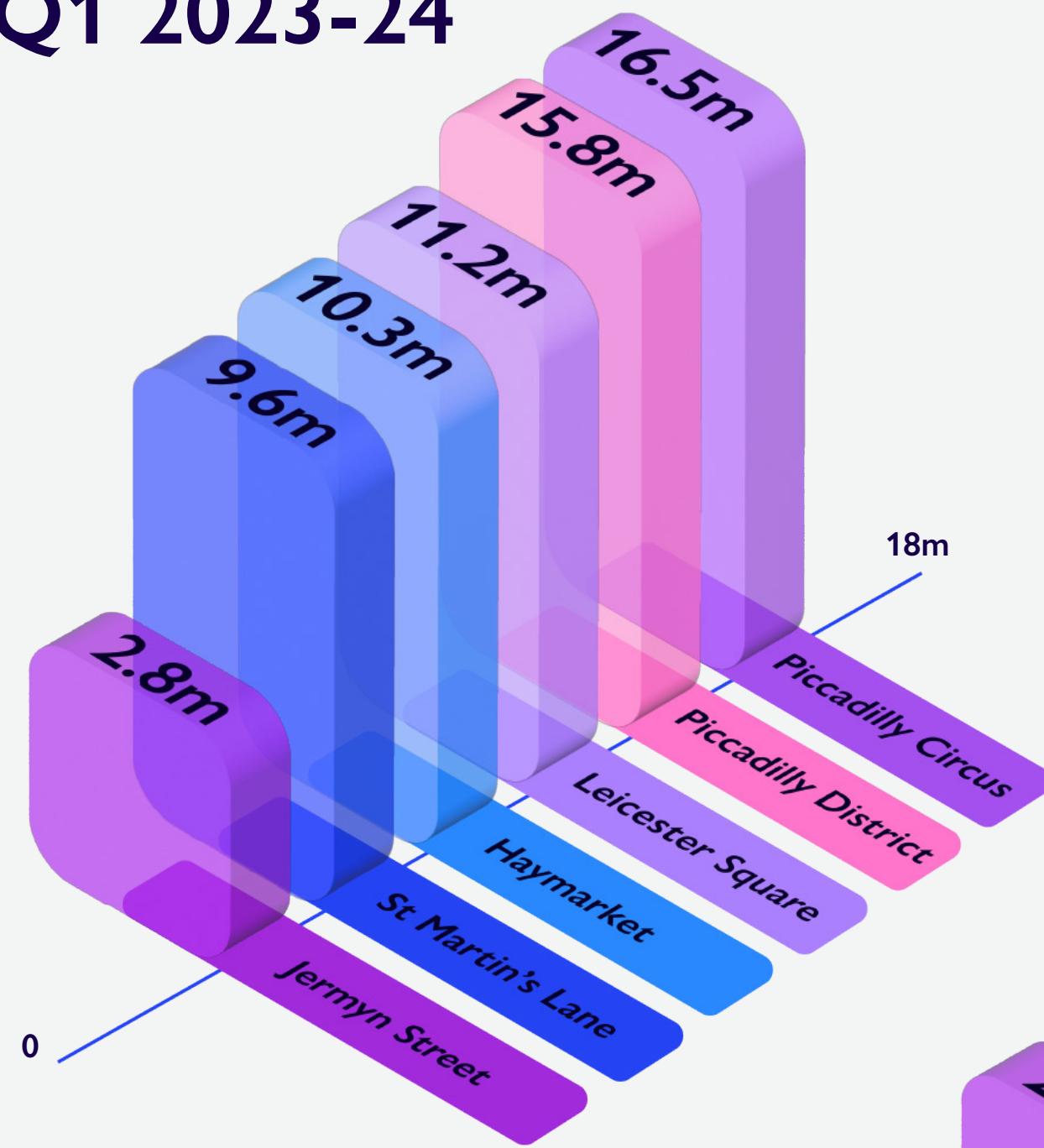
*The footfall numbers for individual districts may not equal the total footfall across HOL area. This discrepancy arises because the same person visiting multiple districts will be counted separately in each district's footfall count. However, when calculating the overall footfall across the HOL area, that person would only be counted once.

Footnote: Latest available data from Colliers (2024) HOLBA members can read more [here](#).

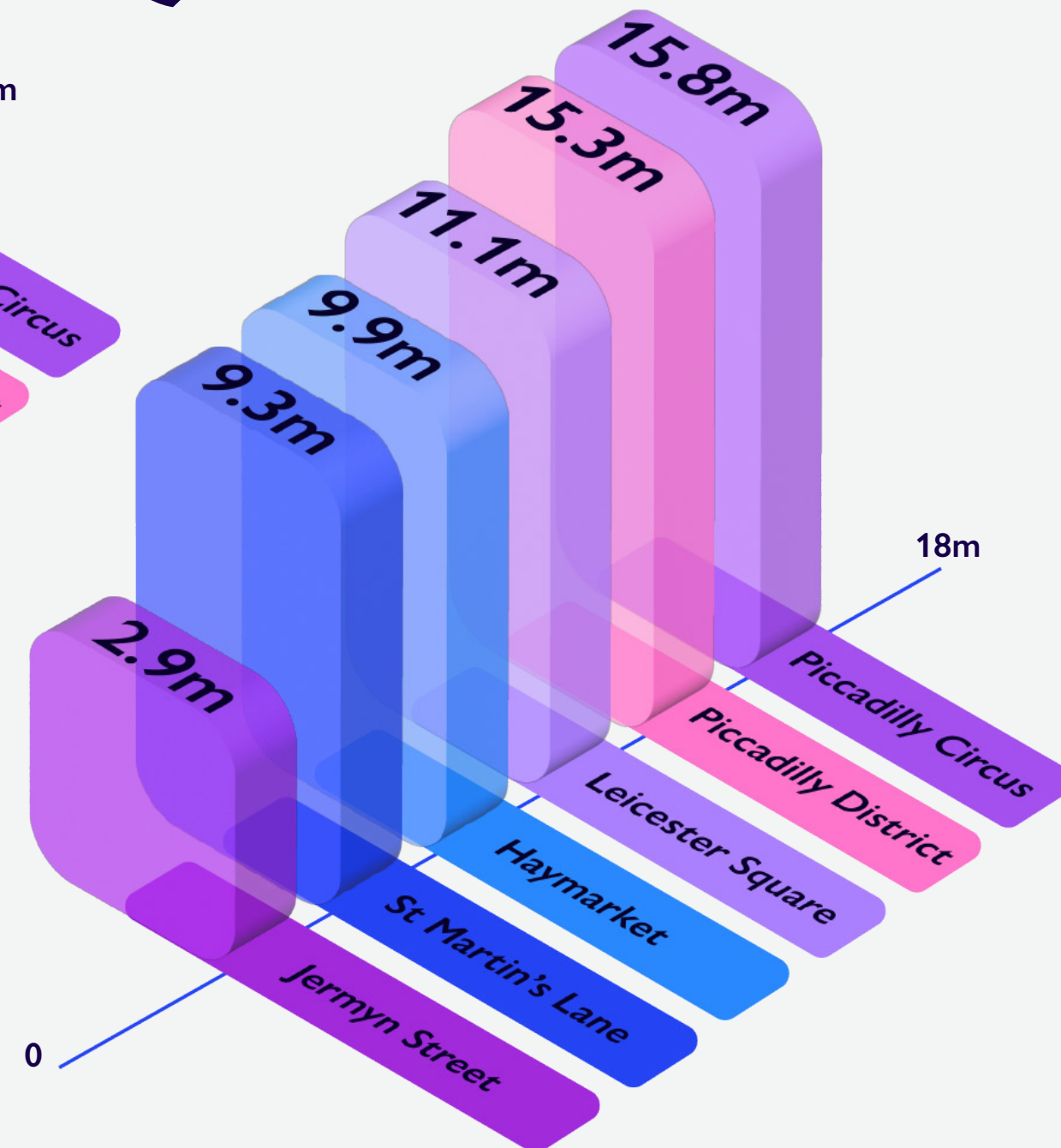
FOOTFALL: QUARTERLY

Looking at each quarter of the 2023-24 financial year, the number of visits to the HOL area peaked in the first quarter of 2023 (April - June), with almost 42 million people passing through, likely due to the King's Coronation in May and the popularity of tourist destinations such as Buckingham Palace, Piccadilly Circus and Hyde Park in particular during spring and summer. The highest number of international visits to the HOL area was during the third quarter (festive period) at 7.4 million visits.

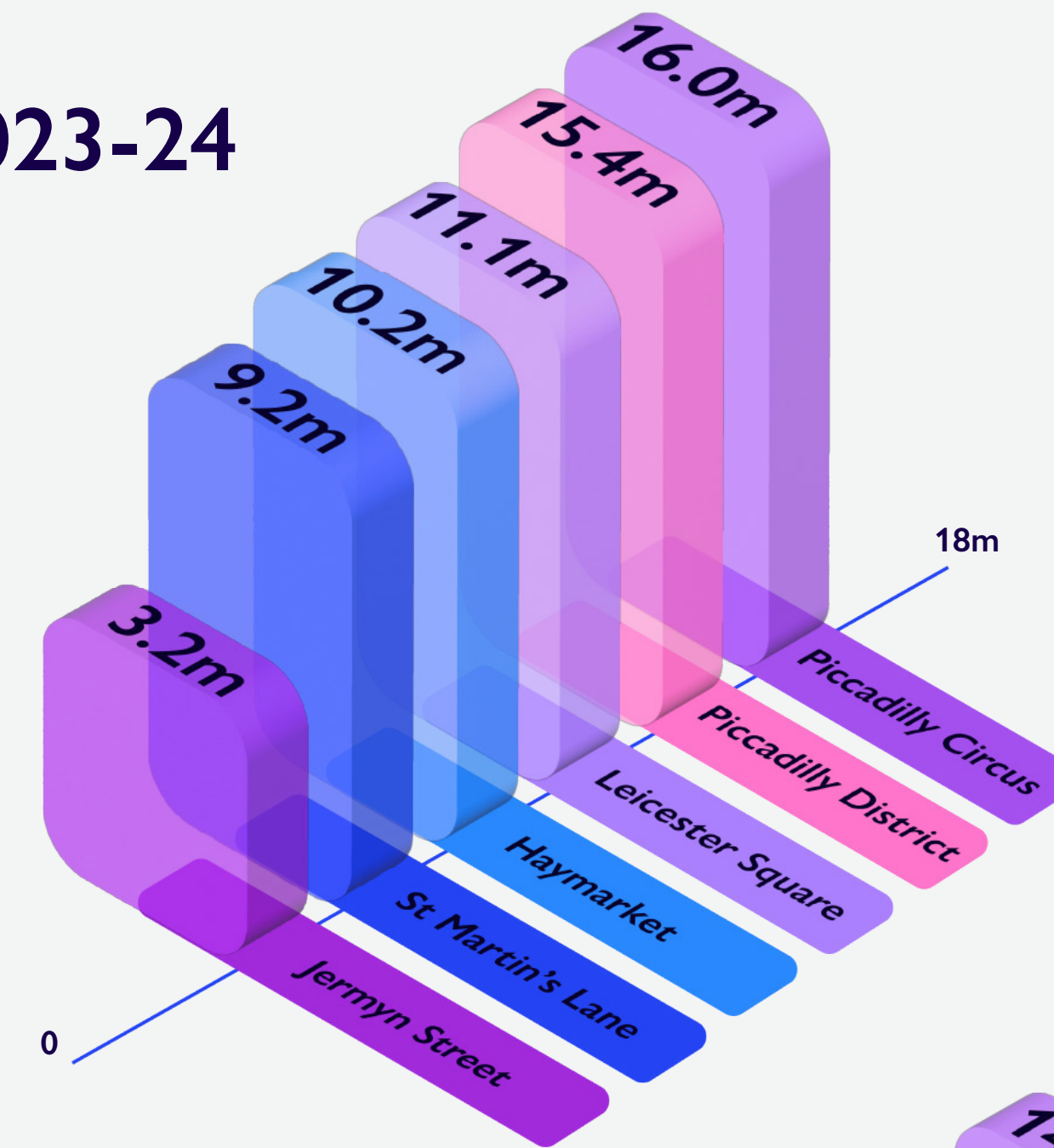
Q1 2023-24



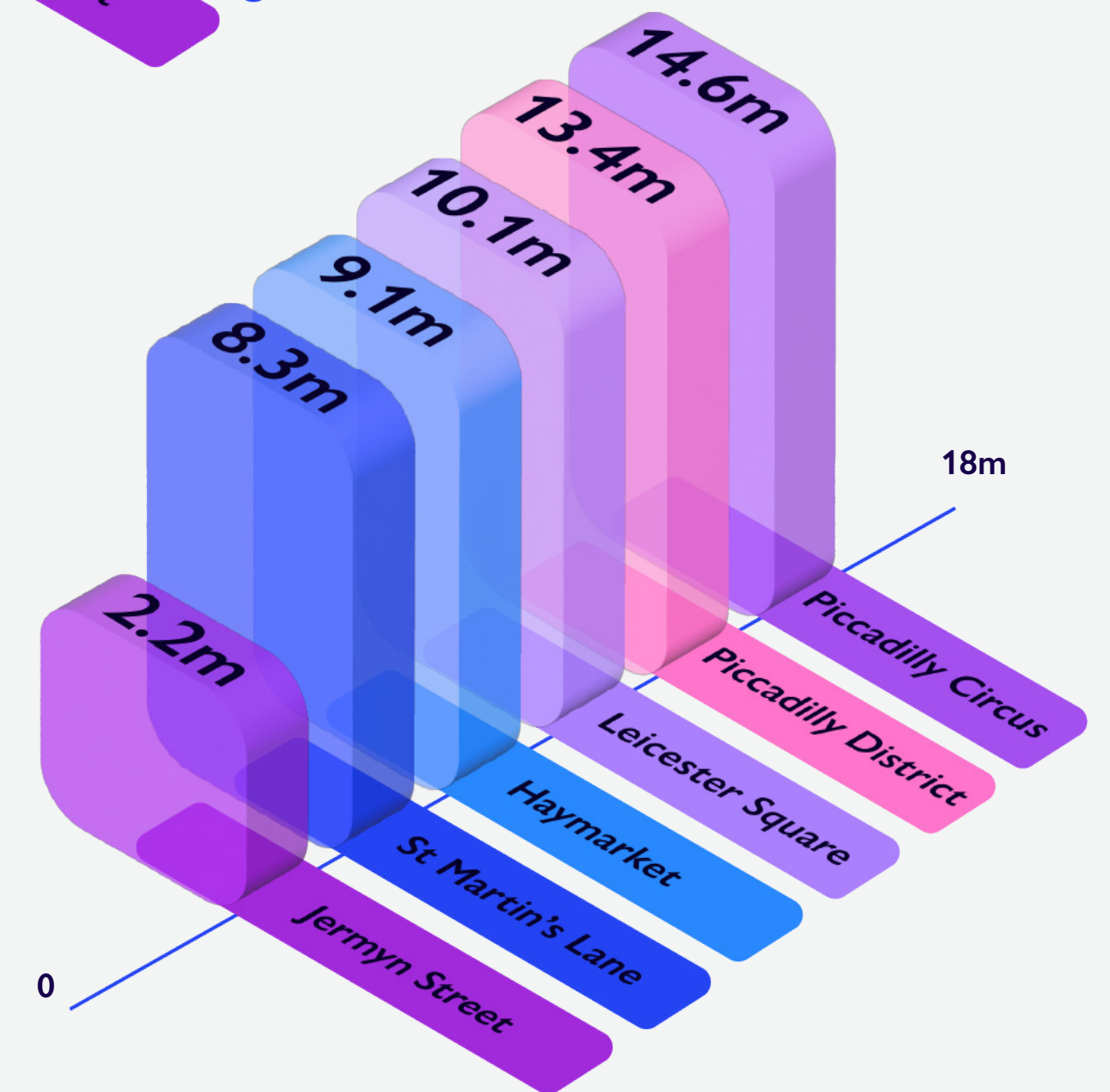
Q2 2023-24



Q3 2023-24



Q4 2023-24



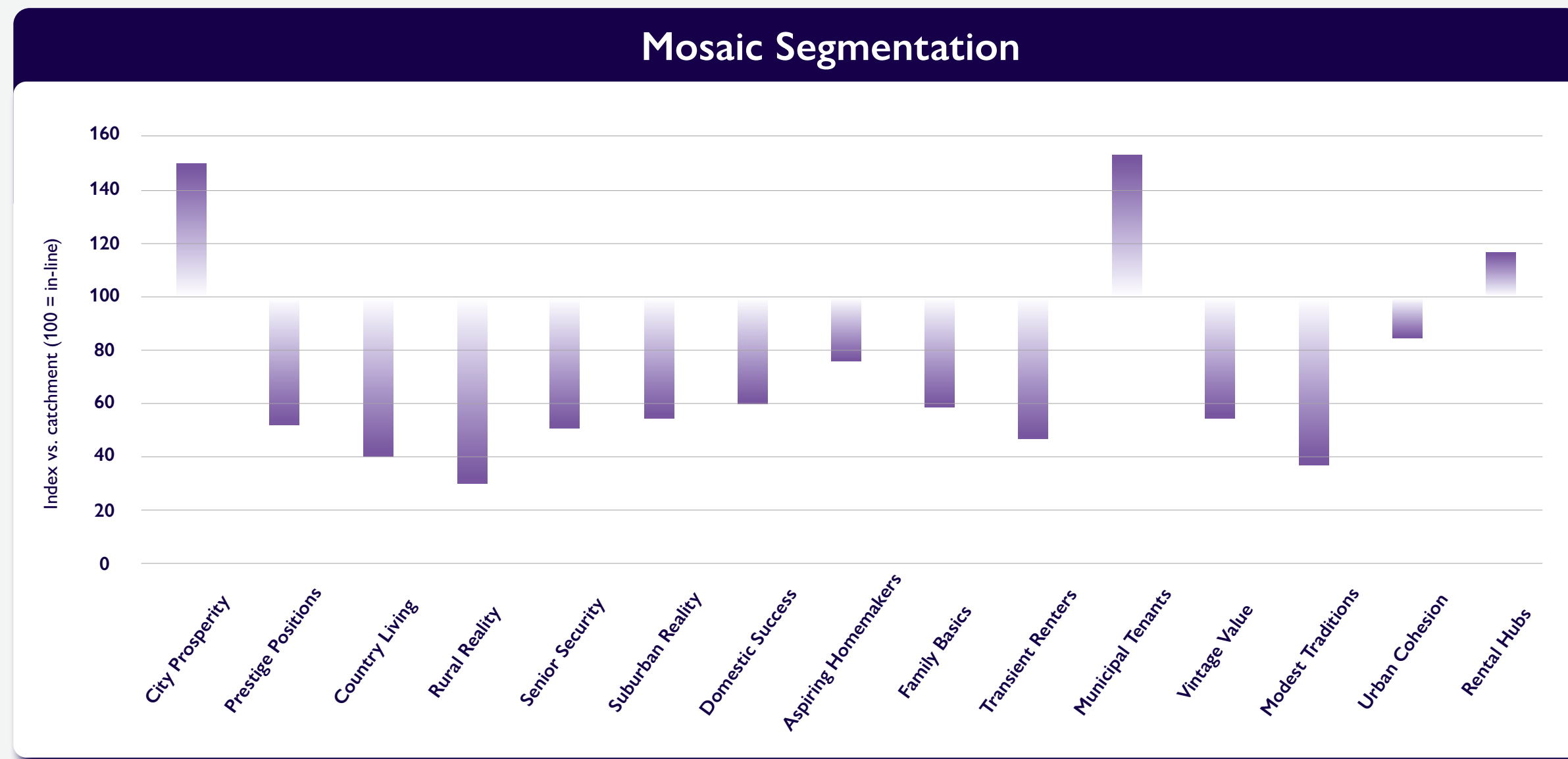
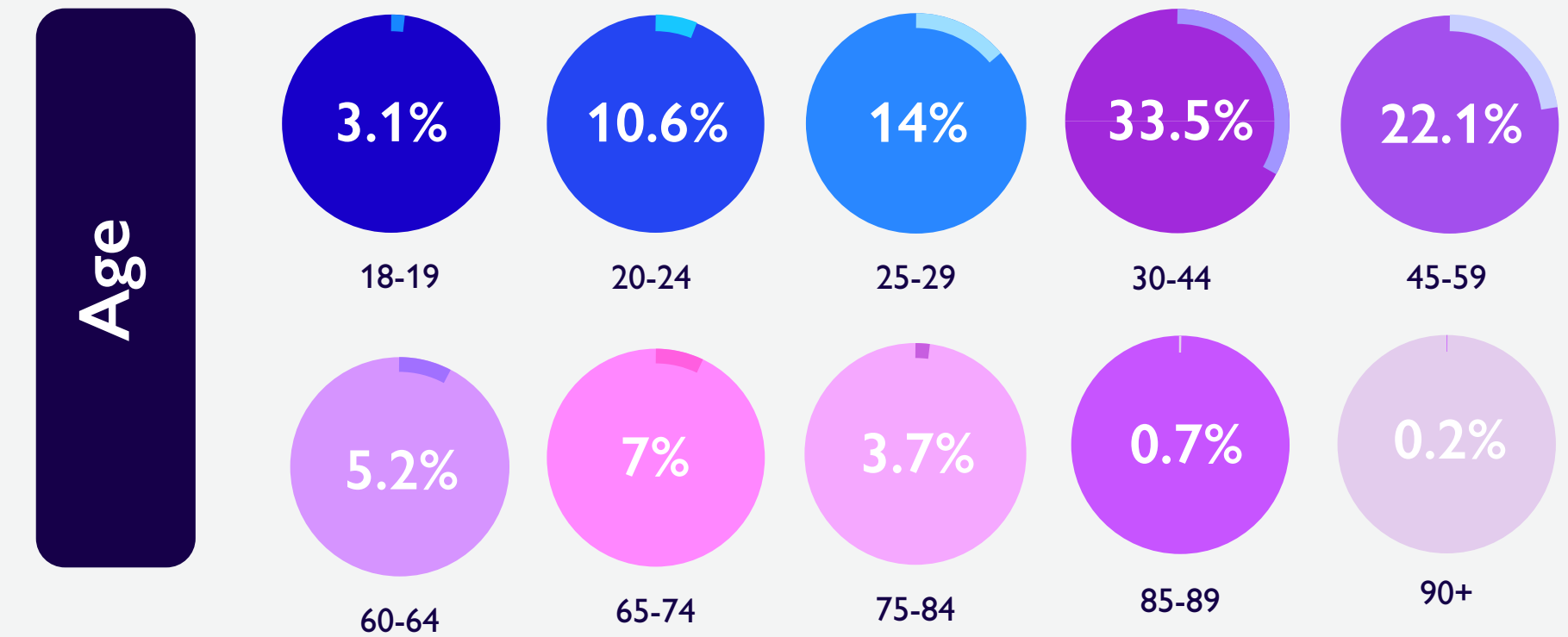
Footnote: Latest available data from Colliers (2024) HOLBA members can read more [here](#).

VISITOR DEMOGRAPHICS

Visitors to the HOL area during the financial year 2023-24 were predominantly between the ages of 30 and 59, with over half of all visitors falling within this age band. Younger age groups also made up a significant portion, with adults under 30 comprising over one-quarter of the total visitor profile.

In terms of occupation, the largest share of visitors fell under the Professional Occupations category (25.6%), followed by Associate Professional and Technical Occupations (16.5%) and Managers, Directors and Senior Officials (14.2%). This is in line with the large number of office-based businesses in the area.

In terms of mosaic segmentations, the demographic profile was made up mostly of City Prosperity, Municipal Tenants, and Rental Hubs. This is unsurprising given the fact that these groups combined make up over half of the entire population of London as a whole and so dominate the HOL area.



Occupation



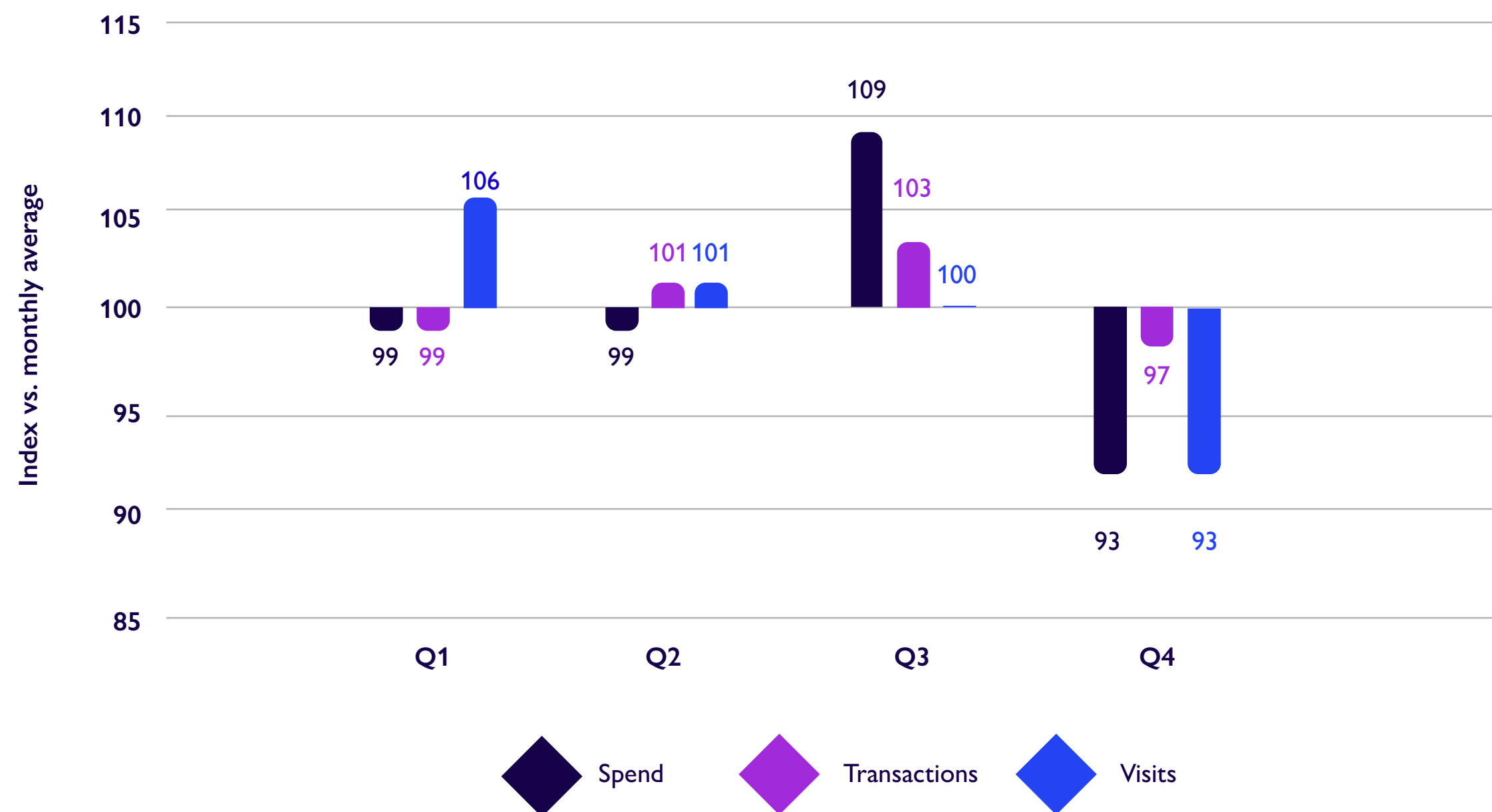
Footnote: Latest available data from Colliers, Experian (2024).

CONSUMER SPEND

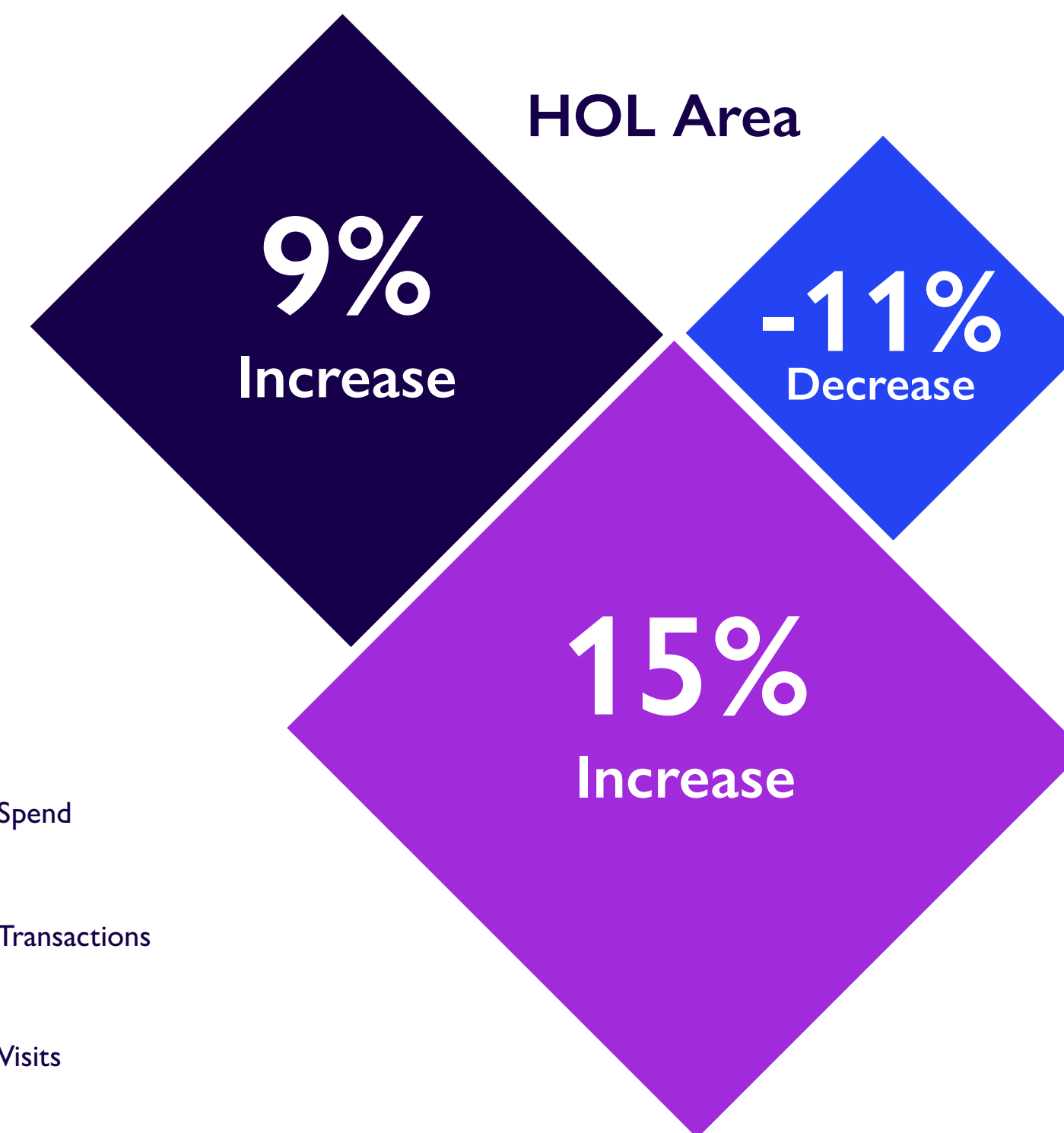
Consumer spending in the HOL area for the financial year 2023-24 rose by 9% in comparison to the previous year. The total number of transactions also increased by 15%, although the number of visits decreased by about 11%.

Looking at each district, St Martin’s Lane witnessed the highest growth in consumer spending at 14%, whilst Piccadilly district had the highest growth in transactions at 19%. Among the 6 HOL districts, Jermyn Street witnessed the highest growth in consumer visits at 5%. While all six districts within the HOL area experienced an increase in consumer spending and visits during the 2023-24 period, three districts – Leicester Square, Piccadilly Circus, and St. Martin’s Lane, witnessed a decline in overall consumer visits. Among these, Leicester Square saw the most significant drop, with a 16% decrease in visitor numbers.

Quarterly Spend: HOL Area



Year-on-Year Change

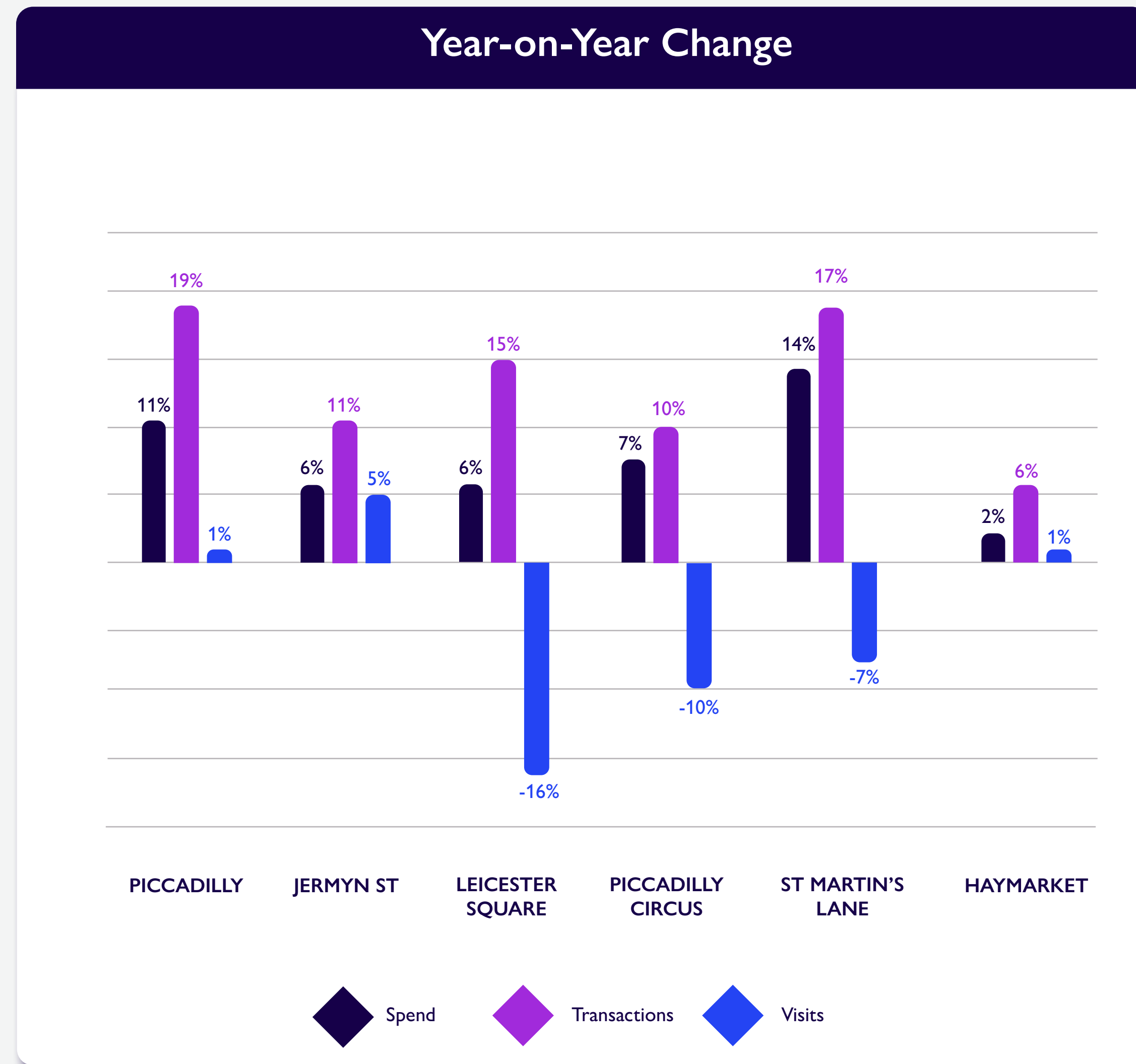
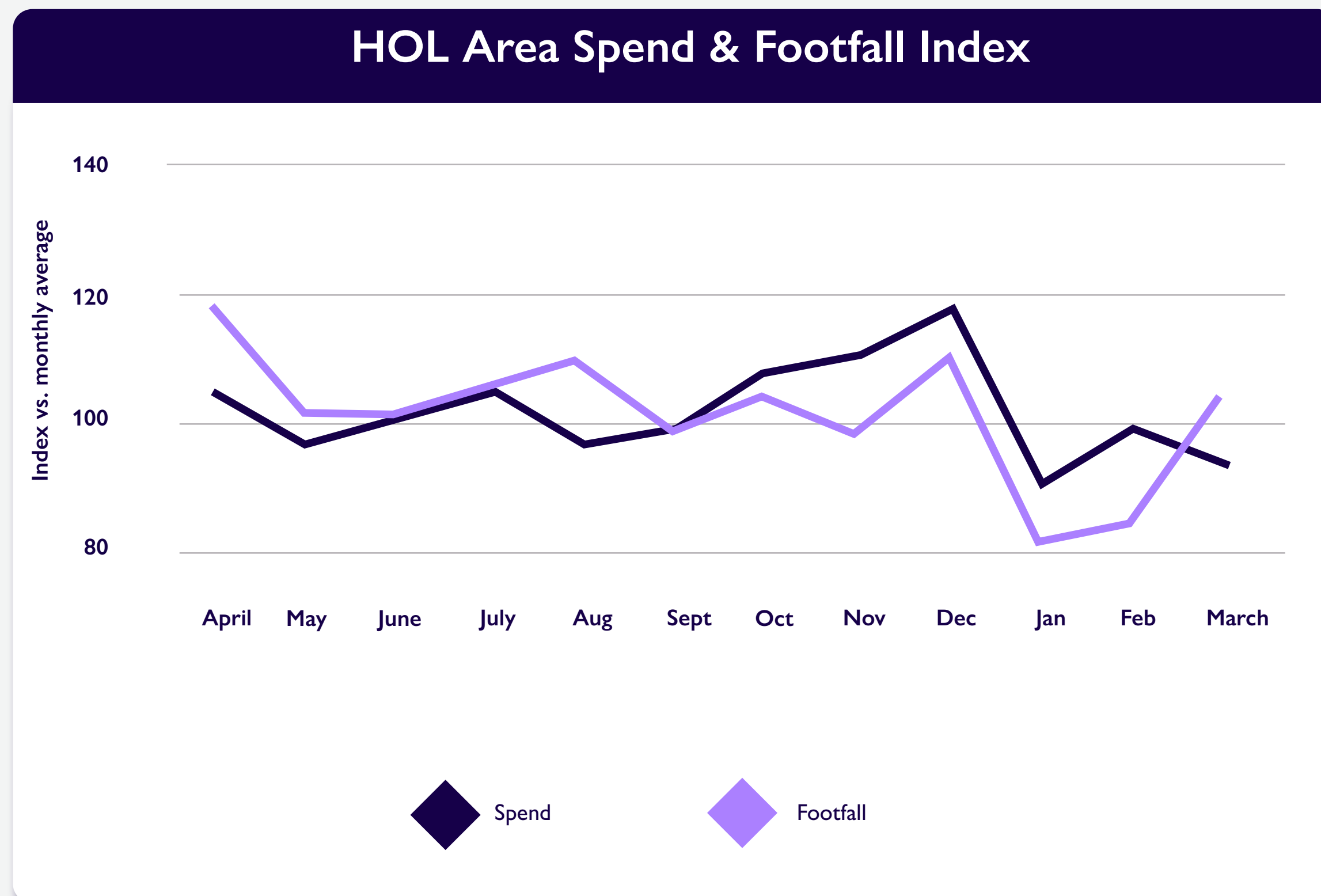


Footnote: Latest available data from Mastercard 2024, HOLBA members can read more [here](#)
Spend data figures area adjusted for inflation.

CONSUMER SPEND VS FOOTFALL

Overall, there is a mixed relationship between consumer spending and footfall in the HOL area. The data suggests that consumer spending and footfall do not consistently experience parallel changes month-over-month. In some months, including November, December, January, and February, the spending index was higher than the footfall index, indicating that visitors were more likely to spend. In other months, including April, May, August, September, and March, the footfall index was higher than the spending index, suggesting that more people visited the area, but did not necessarily spend as much.

Unsurprisingly, during the holiday season (November and December), both the spending index and footfall index were both relatively high, indicating that people were more likely to visit the area and spend during these months.



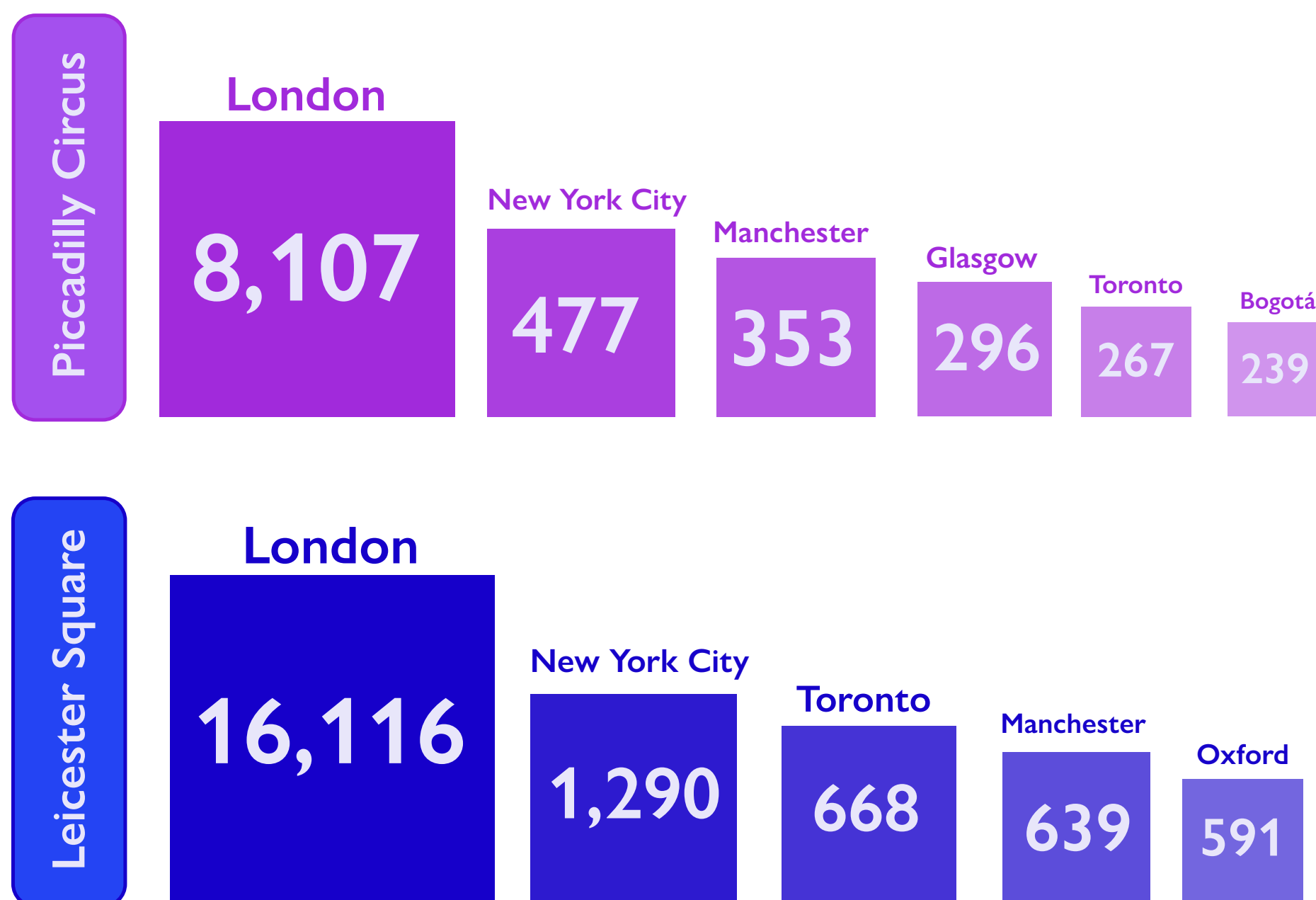
Footnote: Latest available data from Mastercard 2024.

SOCIAL MEDIA: GLOBAL

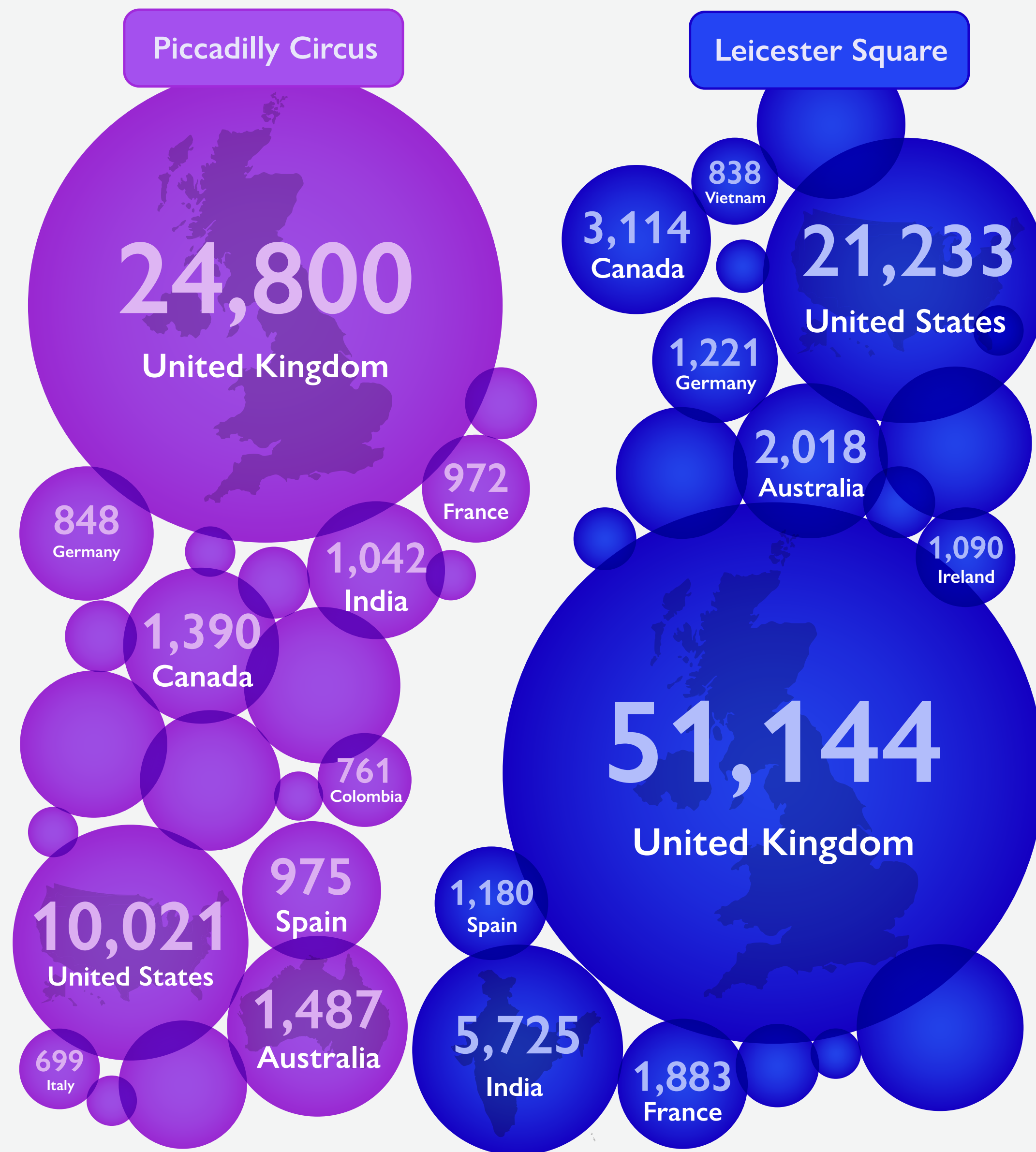
The Social Media analytics data from Meltwater over the last 1 year (March 2023 to March 2024) provides valuable insights into the online mentions of two iconic tourist destinations in London - Piccadilly Circus and Leicester Square.

Overall, the HOL area has an extremely high level of engagement on social media, with the focus being on arts and entertainment, travel, and news. This reflects the importance of the area as a cultural landmark, tourist destination, and a hub of activity, not just in the UK but globally.

Top mentions by city 2023-24



Top mentions by country 2023-24



Footnote: Source: Meltwater.

SOCIAL MEDIA: DISTRICTS AND TOPICS

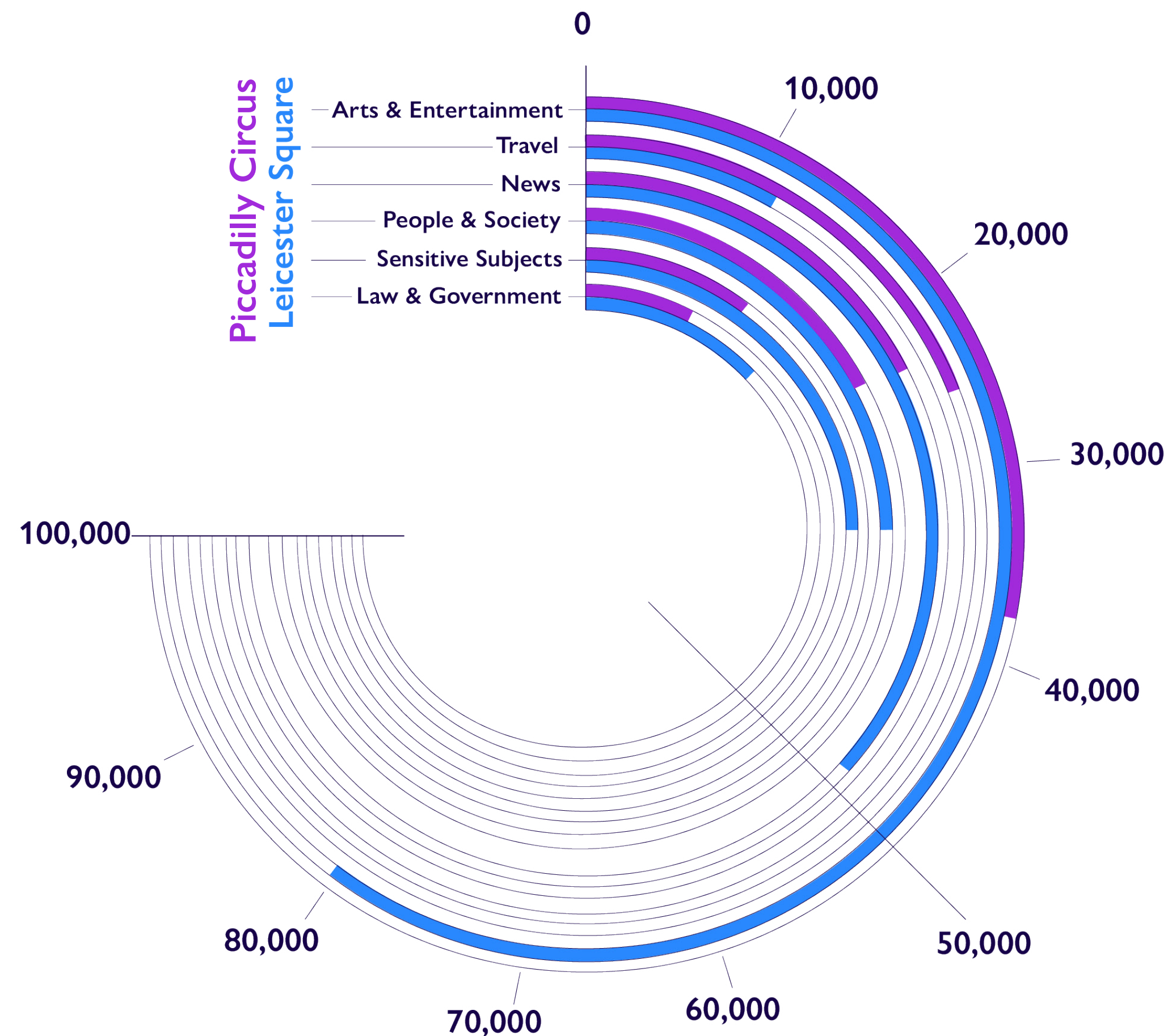
Piccadilly Circus had the highest mention in topics like Arts & Entertainment (37,221), followed by Travel (24,440), People and Society (23,961), News (23,405), Sensitive Subjects (13,565) and Law and Government (8,649). Leicester Square had the highest mention in topics like Arts and Entertainment (80,366), followed by News (49,262), Sensitive Subjects (33,656), People and Society (33,073), Law and Government (16,433) and Travel (10,715).

Leicester Square emerged as the more prominently mentioned location on social platforms, with an average of 467 daily mentions, higher than that of Piccadilly Circus, which averaged 258 daily mentions. This suggests that Leicester Square has a higher visibility and engagement on social media platforms during the analysed period.

Average Daily Mentions



Top Topics



PUBLICATIONS, ANNOUNCEMENTS & CONSULTATIONS

We have rounded up the key announcements, publications and consultations that impact the HOLBA district into one digest so you don't have to.

Landsec – Annual Report 2023 and Press Releases

Landsec continues to diversify its portfolio. Central office space, however, remains the largest holding at £6.2bn, 61% of their £10.2bn total portfolio. In its 2023 annual report, it continued to emphasise a shift in focus for its London office portfolio towards the West End and South Bank and away from the City. Despite being a slow year (2022-23) for the property market its West End portfolio proved to be more resilient, only dropping 8.0% in value compared to its City portfolio, which dropped 15.4%. Vacancy rates in the West End also outperformed the City at 1.7% to 11.7% respectively. Demand remains high for premium, sustainable office space with access to amenities to help tenants attract talent. Demand for flexible spaces also continues to rise.

Across 2023-24 Landsec announced several major acquisitions and leasing updates within and around the Heart of London area:

- In October 2023, Landsec launched Lucent, behind the Piccadilly Lights, its third new building in Central London this year. The new building combines best-in-class office space, hospitality and residential in the heart of the West End.
- In March 2024, Landsec announced Below the Lights, a premium experiential marketing experience under the Piccadilly Lights. The space is set to open in Summer 2024 and will show brand and cultural events curated by 160over90.

Read the full report [here](#).



GPE – Annual Report 2023 and Press Releases

GPE continued to follow its strategic principles in 2023, remaining a 100% Central London portfolio real estate investor and continuing to see a strong demand for the spaces it creates. In March 2023 its West End portfolio south of Oxford Street (including the HOL area) made up 31.8% of its £2.4 billion portfolio, split between 20.3% office, 11.7% retail and 0.2% residential. Its investment and development focus in 2023 has centred around 2 complementary products, HQ Repositioning and Flexible spaces aligning it with current market trends.

In 2023-24 GPE announced several major acquisitions within and around the HOL area:

- In July 2023 GPE entered an agreement with The Crown Estate, granting it the new headlease for French Railway House/ 50 Jermyn Street. With planning permission already granted in May 2022, the new development is set to form part of The Crown Estate's strategy to regenerate the area and will add 66,800 sq ft of grade A office space to the HOL area.
- In June 2023 the award-winning Italian restaurant group, San Carlo, signed a lease for 172-173 Piccadilly along the iconic Piccadilly arcade. This new lease brings yet another high-quality food and beverage offer to the HOL area.
- In their 2023-24 biannual report, GPE announced it is anticipating the commencement of a refurbishment of Egyptian House, 170 Piccadilly.

Read the full report [here](#).



PUBLICATIONS, ANNOUNCEMENTS & CONSULTATIONS

The Crown Estate – Annual Report 23 and Press Releases

The Crown Estate’s vision in 2023 is to support the renewal of London through the stewardship of its portfolio, ensuring it continues to be a locally relevant and globally distinctive destination.

Central London real estate (including in the HOL area) continues to make up the largest portion of the Crown Estates portfolio, with £7.2bn of its £15.8bn total valuation invested across the city, predominantly Regent Street and St James’s.

To achieve its vision The Crown Estate is shifting its strategic priorities to take a more proactive approach with communities to ensure it creates long-term value and to capitalise on its comparative advantage of a large, contiguous portfolio in the West End by adopting a ‘district philosophy’ when it comes to development rather than a building-by-building approach.

Read the full report [here](#).



WPA Delivering Good Growth in Westminster

The Good Growth Westminster report was published in 2024 by the Westminster Property Association (WPA) in partnership with ARUP. It forecasts three possible economic futures (2045) for the Westminster CAZ, which includes the whole of the HOL area and provides policy recommendations to maximise growth.

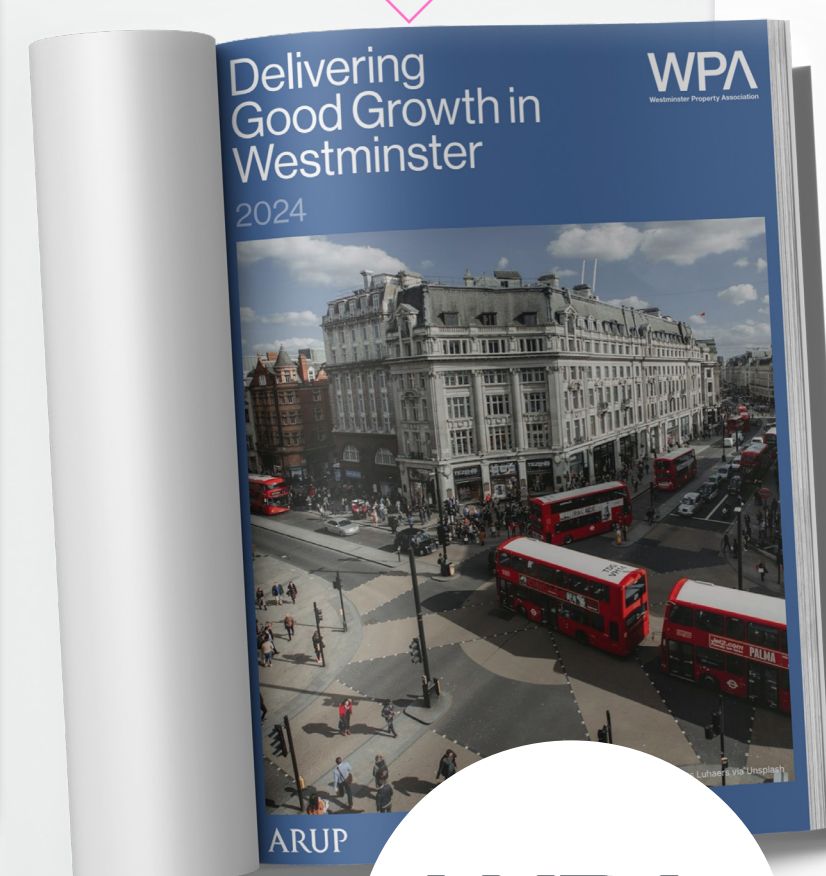
Business as usual: The report projects that with no significant shift in policy there will be a marginal increase in jobs, economic output, and taxes generated by 2045. Floorspace would increase by 7% providing space for 41,000 new jobs. Office space growth will lag behind other sectors, translating into low office vacancy rates and higher rents.

Balanced Growth (recommended policy plan): By transitioning to more flexible planning and growth policies, the area can expect to see a marked increase in jobs, GVA, and homes alongside CIL and S106 receipts. The Westminster CAZ would see a 14% floor space growth with an additional 8mn sq ft of office floor space. 87,000 new jobs would be created in a wide range of employment sectors increasing the area’s economic diversity.

Checks on Growth: Describes a scenario with stricter planning laws and a greater emphasis on conservation, restricting new commercial space and leading to a 10% decline in full-time jobs. A 6% reduction in commercial space as a result of challenges retrofitting buildings to Grade A office space means this decline is felt most sharply in higher-value office jobs. The focus on heritage would see the local economy become more oriented towards tourists, with a growth in hotel, retail and arts and culture industries.

The WPA recommends a balanced growth-oriented approach, particularly in relation to new high-quality, sustainable development in business clusters in the area - of which the HOL area is one.

Read the full report [here](#).



PUBLICATIONS, ANNOUNCEMENTS & CONSULTATIONS

Westminster After Dark
 Evening & Night-Time Plan
 Westminster City
 Council



Westminster City Council is in the process of developing an exciting new initiative called the Westminster After Dark Plan. This plan aims to improve the experience of being in Westminster at night for all members of the community.

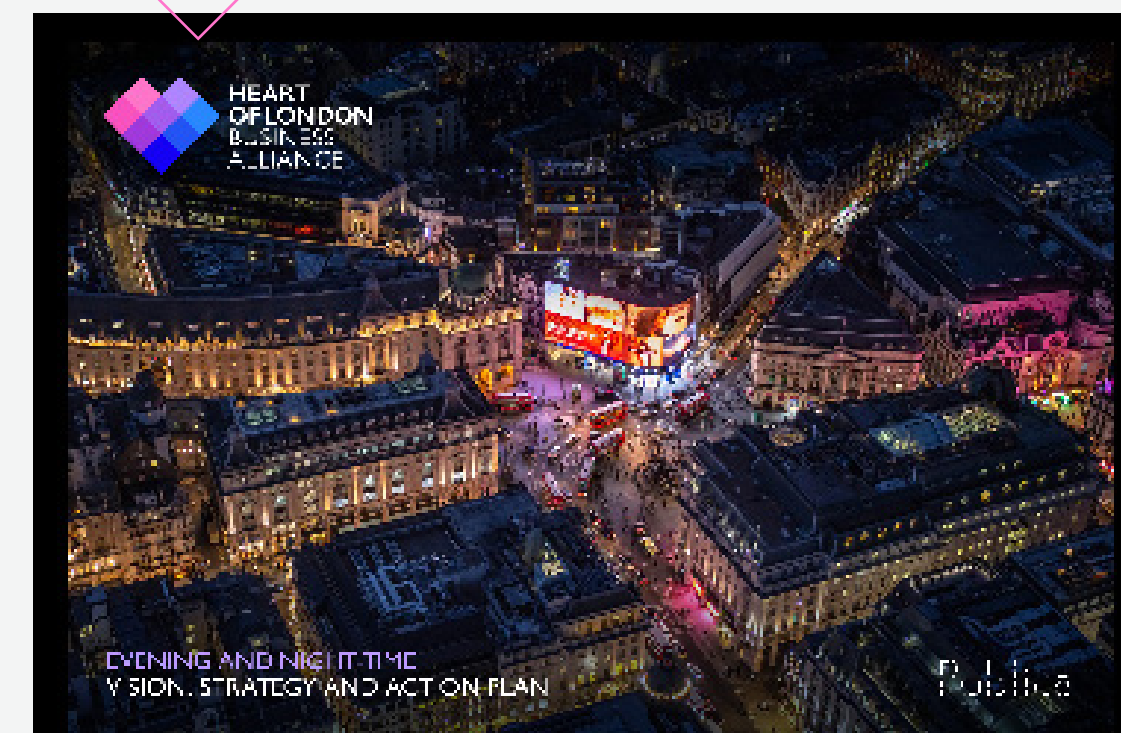
The goal shares many values with HOLBA's Evening and Night-time Strategy; to make the West End an inclusive, dynamic, vibrant, and accessible place after dark.

Some key objectives of the plan include:

- Making the streets safe and welcoming for people who are out at night.
- Supporting businesses, cultural attractions, and entertainment that operate at night. This includes restaurants, theatres, music venues, shops, and more.
- Making sure sustainability and transportation at night are addressed.
- Ensuring people of all backgrounds feel comfortable being out at night in Westminster.

Over the last few months, the Council has been conducting surveys, community meetings, and outreach events to gather input from residents, businesses, visitors, and local groups to understand how to make the area more enjoyable during the evening and night-time hours. The Plan is targeting a launch in June 2024.

Read HOLBA's Evening
 and Night-time Economy
 Strategy [here](#)



METHODOLOGY

Undertook a desktop review of HOLBA's first Economic and Real Estate Insights Report to understand benchmarked data and the baseline situation. This enabled us to understand in detail the work undertaken to date.

Sources: HOLBA; Colliers; Centre for Cities



Liaised with HOLBA's other data providers to collate, format, and manage data on area performance as well as relevant updates and intelligence from HOLBA's advocacy and business engagement teams.

Sources: HOLBA; Colliers; Meltwater; MasterCard; Experian; TfL; ONS; SOLT



Carried out analysis to provide detailed insight into the HOL area with a particular focus on inward investment and identification of long-term trends.

Sources: AND London



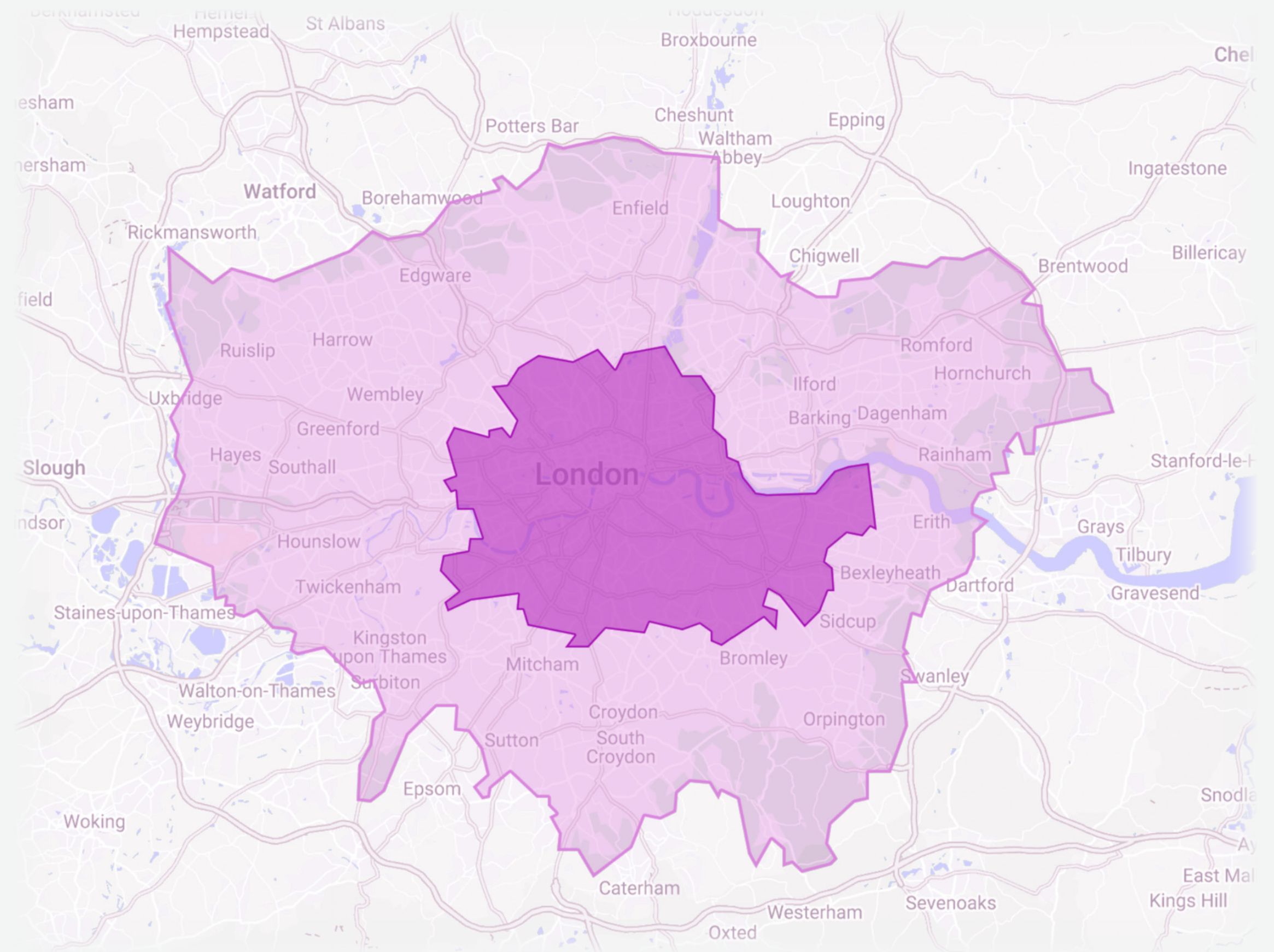
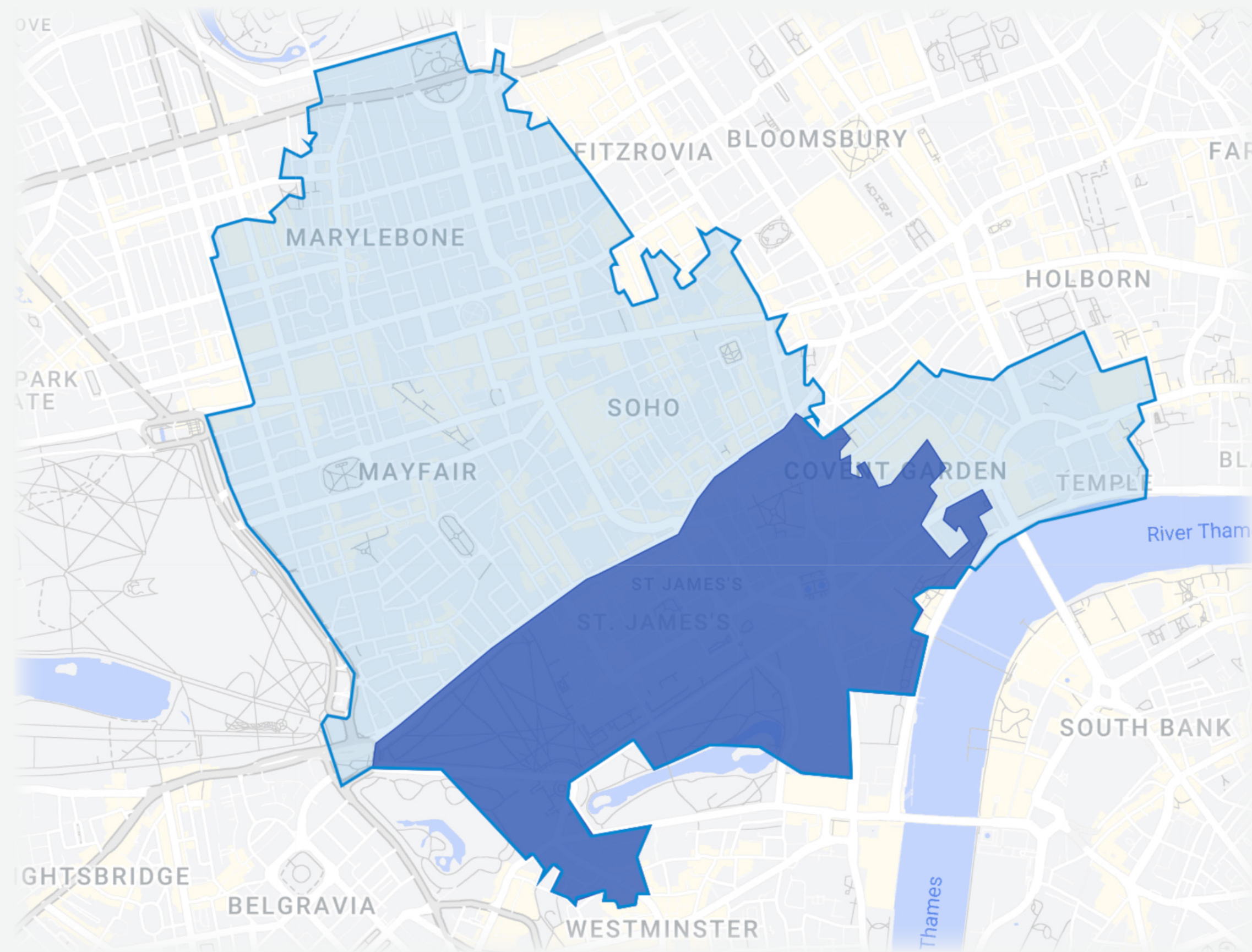
Collected comprehensive data on real estate and sector performance KPIs through CoStar, Experian, and AND London's extensive commercial database, alongside gathering on-the-ground information from conversations with local agents.

Sources: CoStar; Experian; AND London; Booking.com; VOA

Monitored and reported on HOLBA's property owners' strategies; publications and announcements; relevant key industry reports and thought leadership; and topical deep dive and trend analysis.

Sources: HOLBA

AREA ECONOMY



Footnote: Map source: Google Maps.

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