ECONOMIC & REAL ESTATE INSIGHTS REPORT

SEPTEMBER 2023

HEART OF LONDON BUSINESS ALLIANCE

IN PARTNERSHIP WITH

Colliers

centreforcities

Enter

CONTENTS

HEART OF LONDON BUSINESS ALLIANCE

ROS MORGAN
CHIEF EXECUTIVE

HEART OF LONDON BUSINESS ALLIANCE

Introduction

This is a first-of-its-kind report that monitors the performance of real estate across the Heart of London (HOL) area (pg. 4) and builds on the Heart of London Business Alliance (HOLBA) monthly Area Performance Report that monitors the footfall and visitor demographics in the area.

The combination of the two reports makes for a unique and valuable data set and information source for our members, stakeholders, and investors, as well as a critical tool in HOLBA's commitment to protect and promote the commercial and cultural well-being of London's West End.

With an economy worth £8.8bn, the HOL area is amongst the most economically successful parts of the country and plays a central role in London's success with its diverse offer of amenities and jobs. The area represents 20% of the West End's GVA, while only covering 12.8% of the area.

While the GVA per worker in the area is, on average, lower than other central London locations due to its diverse sector mix (a quarter of all jobs in the HOL area are in the leisure, arts, entertainment, and retail sectors), it's this diversity which has meant that the HOL area has retained its identity, preserved its offer, and performed well in a post-pandemic climate.

Collier's price positioning index highlights that the retail and food and beverage occupier mix in the HOL area is the third most upscale in London, following Knightsbridge and Chelsea.

The area is also ahead of both the UK and central London average in terms of independent vs. franchise occupier mix.

It is encouraging to see 91% of the estimated 8.1m square foot net office space in the HOL area currently occupied, 96% of which have Minimum Energy Efficiency Standards (MEES) ratings of E or higher. As changes in office building regulations occur, we will closely monitor the impact this has on the area and its assets, as well as on the investment pipeline in the coming years.

This report provides:

- An overview of the commercial space and occupier mix in the HOL area
- Economic output and benchmarks against central London
- Employment rates and energy performance analysis

Future reports will highlight changes, growth patterns and trends. Critically, it will forecast any potential threats or opportunities.

We hope you find the report useful and invite you to provide recommendations on data you think would strengthen the report.

We look forward to hearing from you.

Warm regards,

Ros Morgan

The HOL area


COVENT GARDEN
CHINATOWN
PICCADILLY CIRCUS
LEICESTER SQUARE
ST MARTIN'S LANE
MAYFAIR
GLASSHOUSE STREET
REGENT STREET
PICCADILLY
JERMYN STREET
HAYMARKET
ST JAMES'S
ST JAMES'S
GREEN PARK
Study area boundary

ECONOMIC & REAL ESTATE INSIGHTS REPORT

ECONOMICS

02

HOL AREA COMPARED TO LONDON & UK

Quick links

ECONOMY & GVA

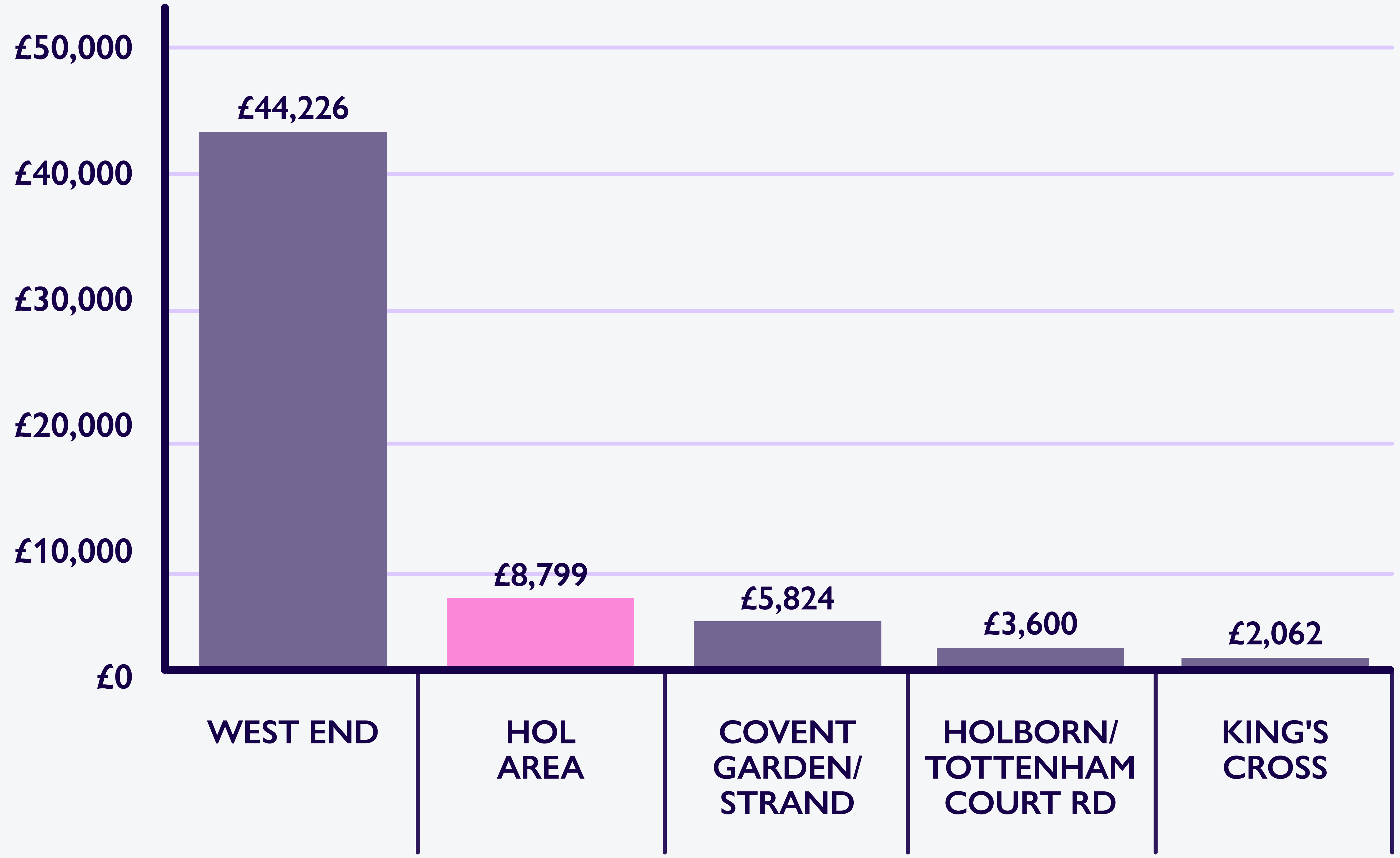
The HOL area represents 20% of the West End's GVA while only covering 12.8% of the area

£8.8bn

The HOL area GVA which is similar to the whole of Brighton and Hove local authority

The HOL area is one of the most successful parts of both the London and the UK economy. Home to just 0.04% of London's population, the HOL area accounts for 1.8% of output.

GVA pounds million (£), 2019



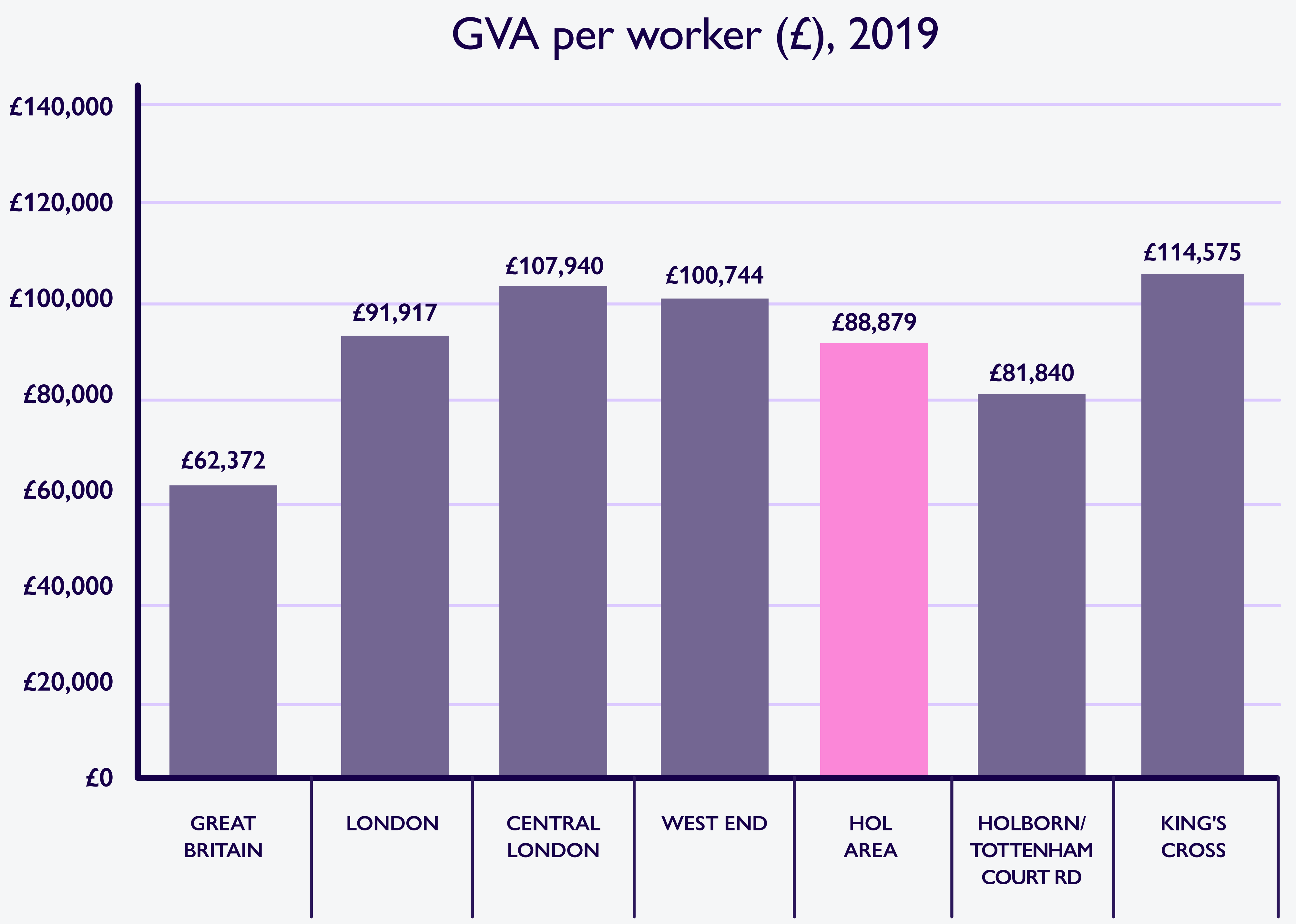
In this document, comparison areas have been chosen because of their similar size and the role they play in the central London economy but also to highlight the specificities of the HOL area compared to the rest of central London.

ECONOMIC OUTPUT

GVA in the HOL area experienced a rapid growth: 29% increase between 2015 and 2019, higher than the increase seen in London as a whole

However, GVA per worker in the HOL area is lower on average due to a diverse sector mix

6% more growth seen in GVA per worker in the HOL area than London between 2015 - 2019

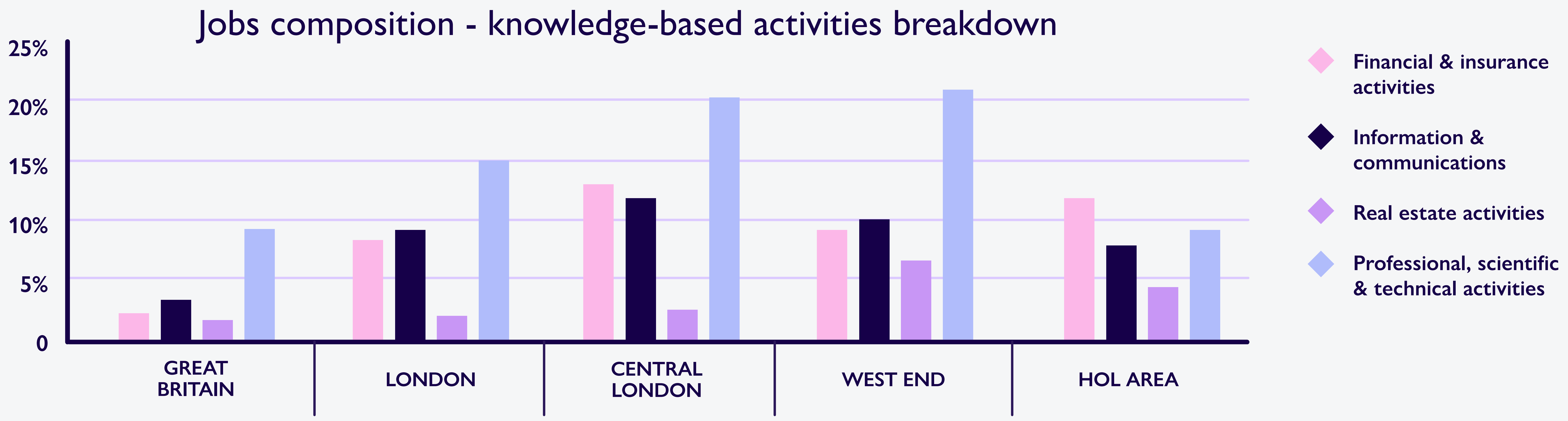


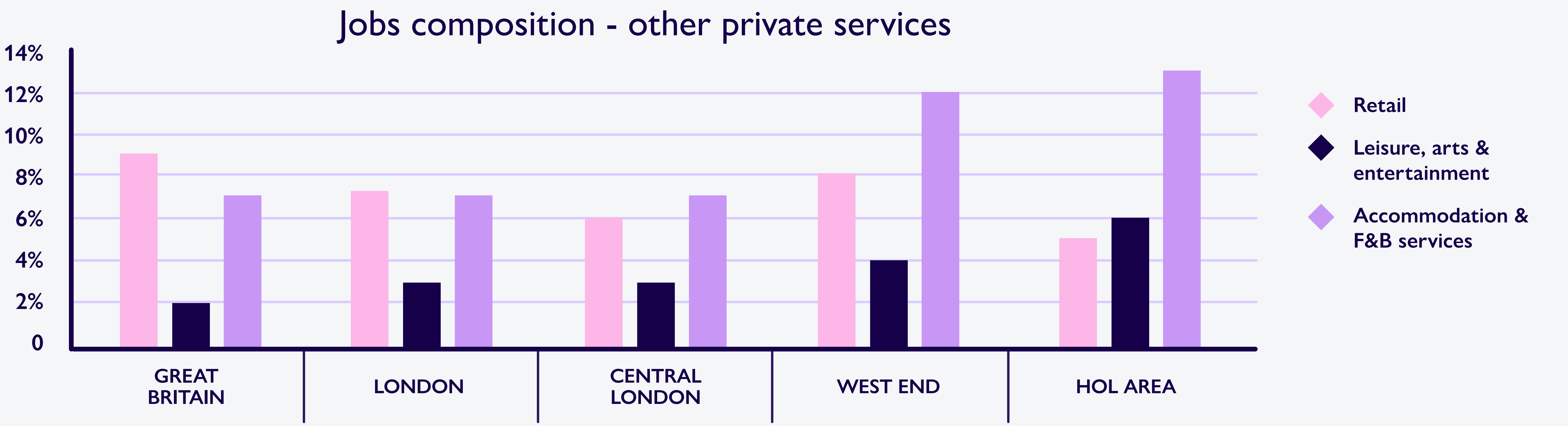
JOBS SUMMARY

The HOL area is home to over 100,000 jobs, more than the whole of Exeter

25%
of all jobs in the HOL area are provided by the retail, leisure, arts and F&B focused sectors

Retail, leisure, arts and F&B focused sectors have lower economic output than knowledge-based ones





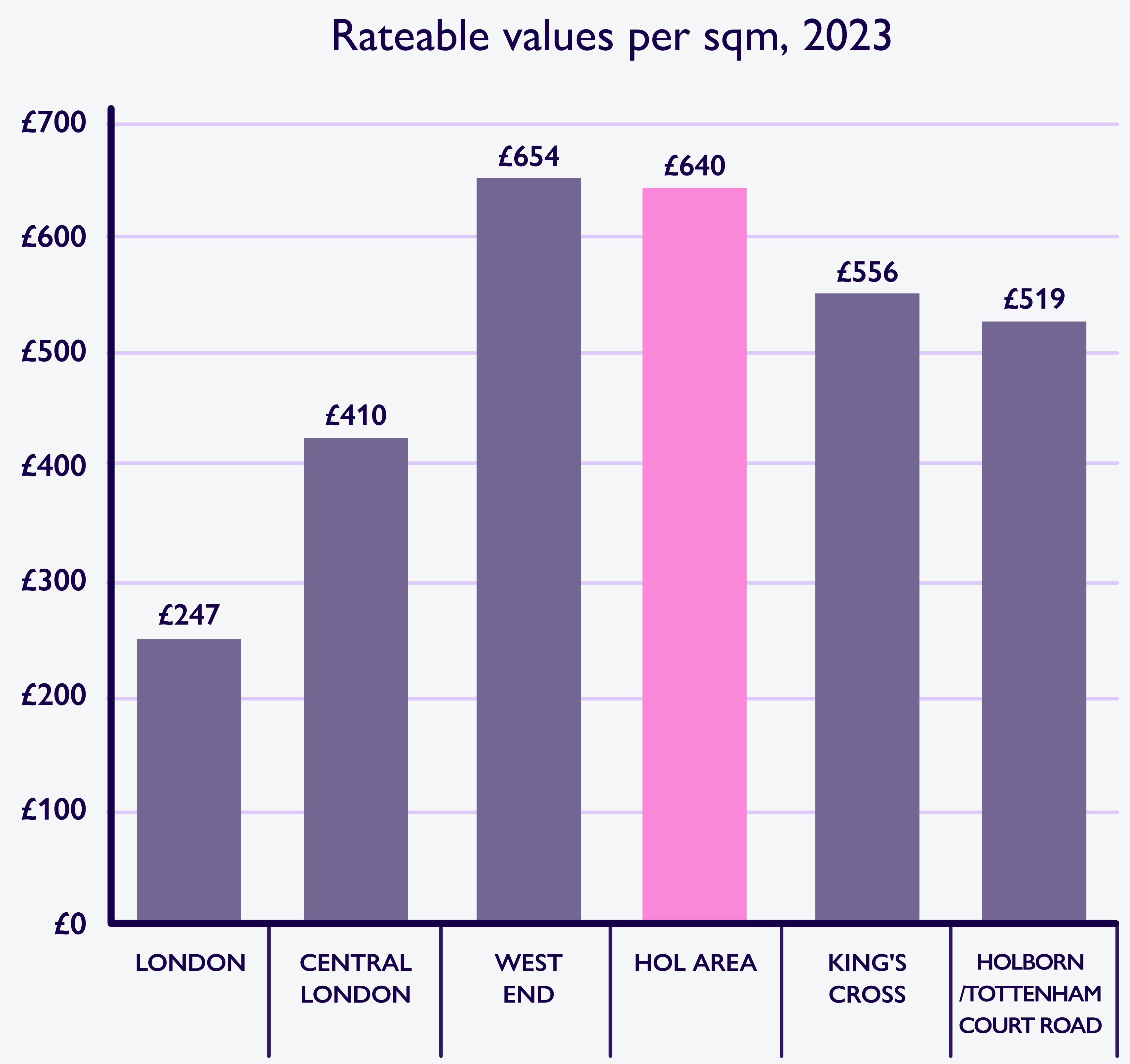
RATEABLE VALUES

The HOL area has one of the highest rateable values per sqm, especially within the F&B and retail sectors

£345m
paid in business rates* from the HOL area

22%
of the West End's contribution

6%
of the central London's contribution



*£345m paid out of a total £380m value due to rates reliefs

03

ECONOMIC & REAL ESTATE INSIGHTS REPORT

COMMERCIAL

Quick links

The HOL area floorspace breakdown reflects its specific role as a core destination for visitors and tourists

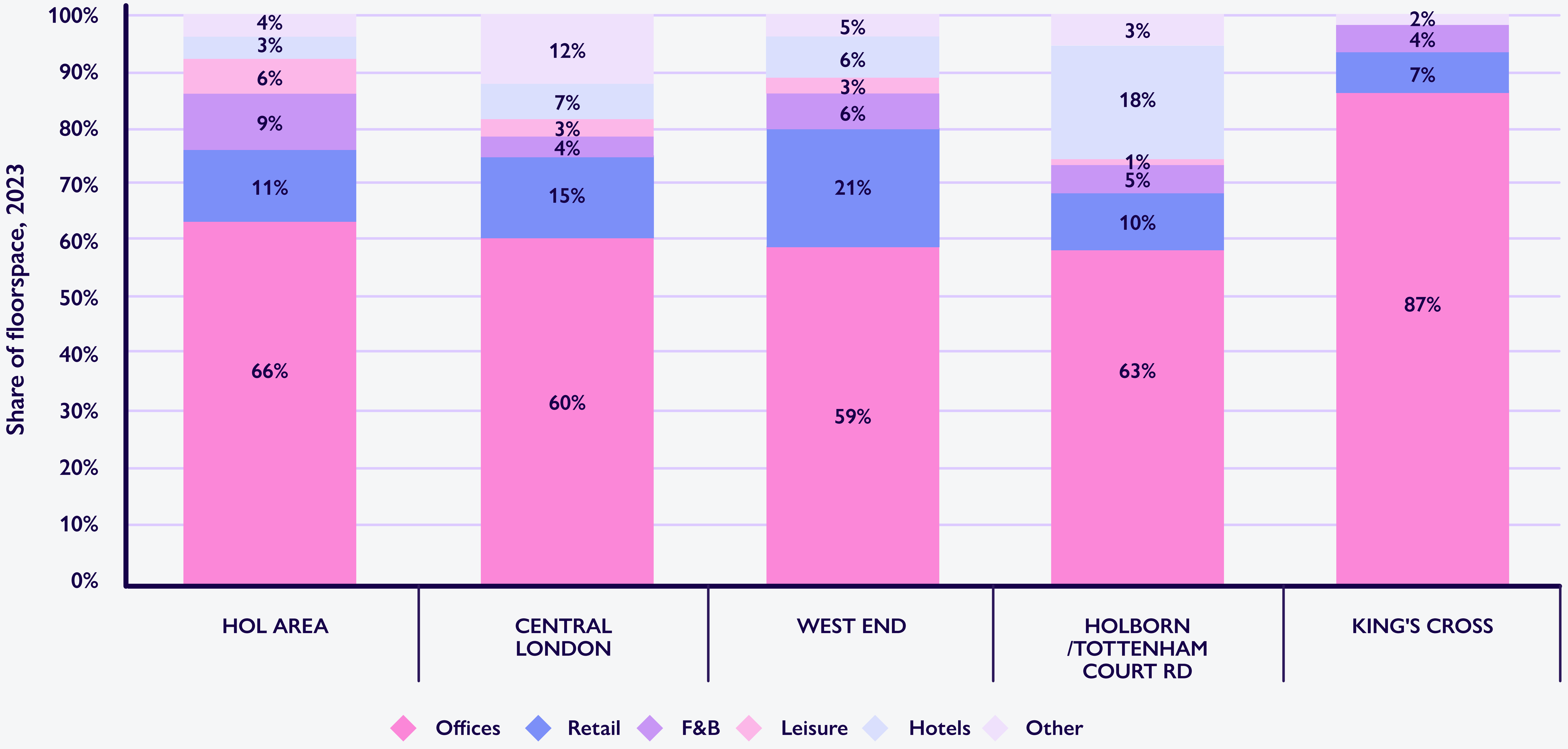
18%

of the HOL area floorspace is dedicated to the hospitality, leisure and F&B industries

14%

compared to 14% of the floorspace across central London

Space breakdown in core London commercial areas

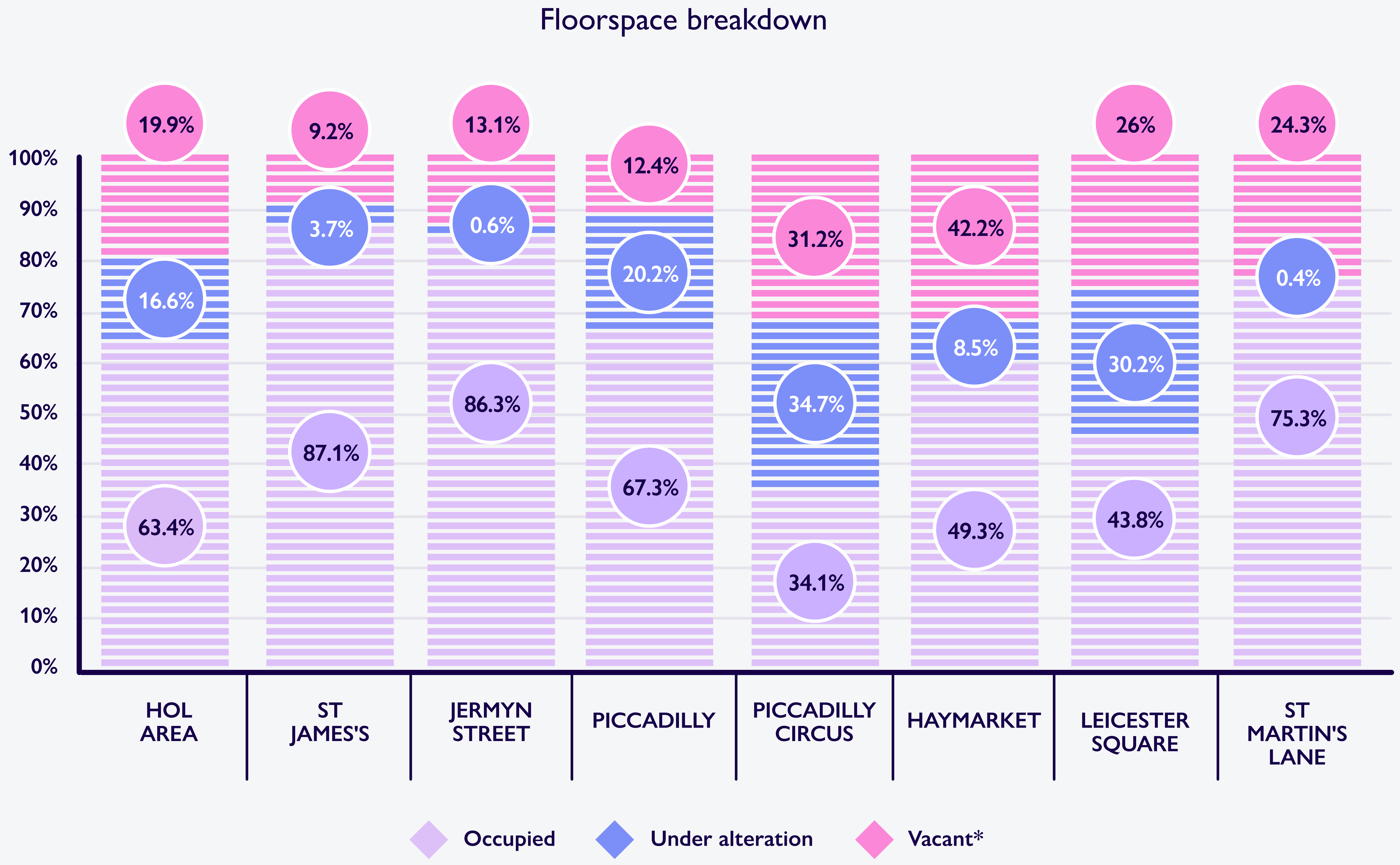


COMMERCIAL SPACE ANALYSIS

63.4% of floorspace across the HOL area is currently occupied and trading

81.7%
St James's has highest occupancy rate

34.7%
Piccadilly Circus has the highest proportion of space under alteration

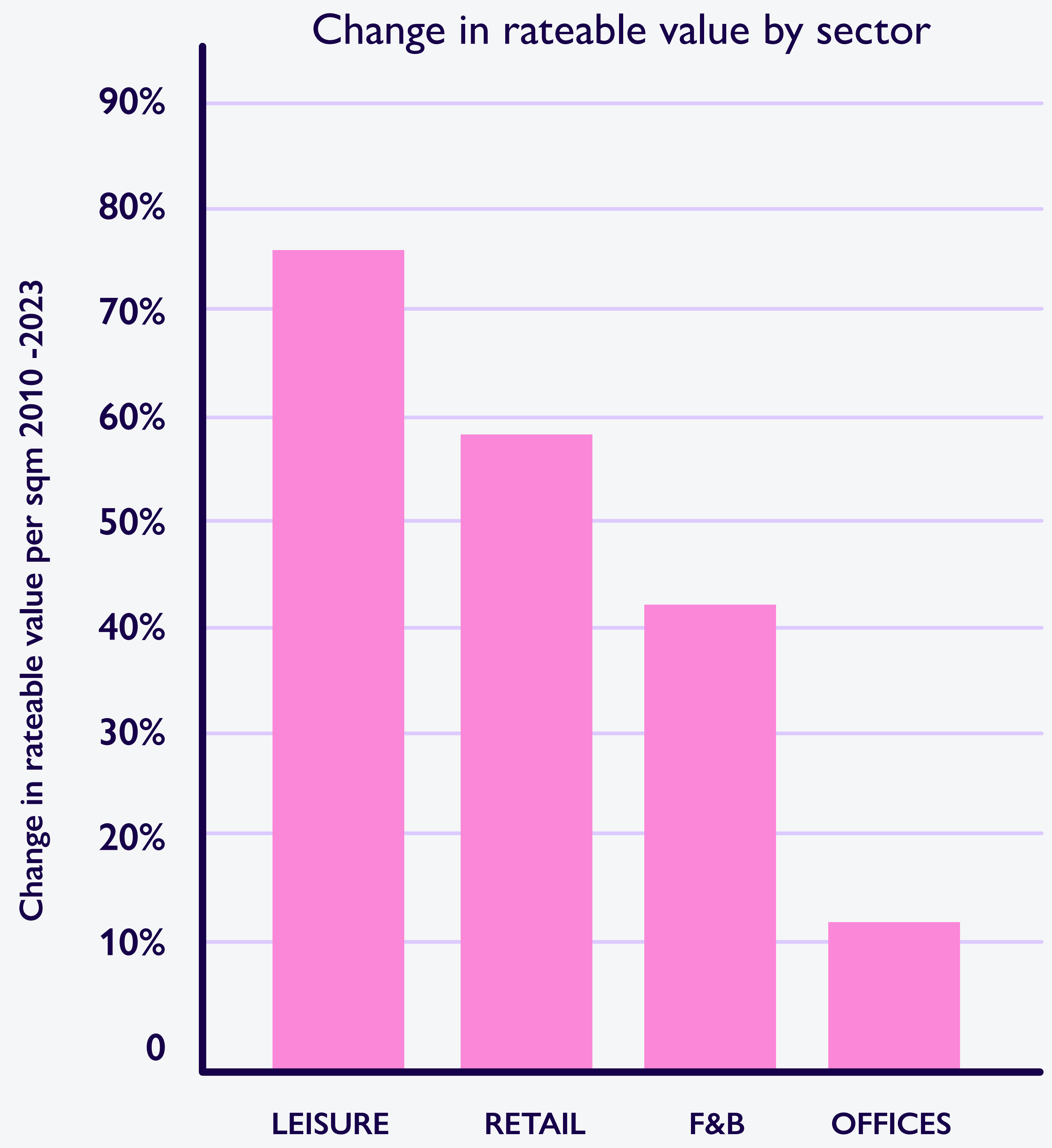


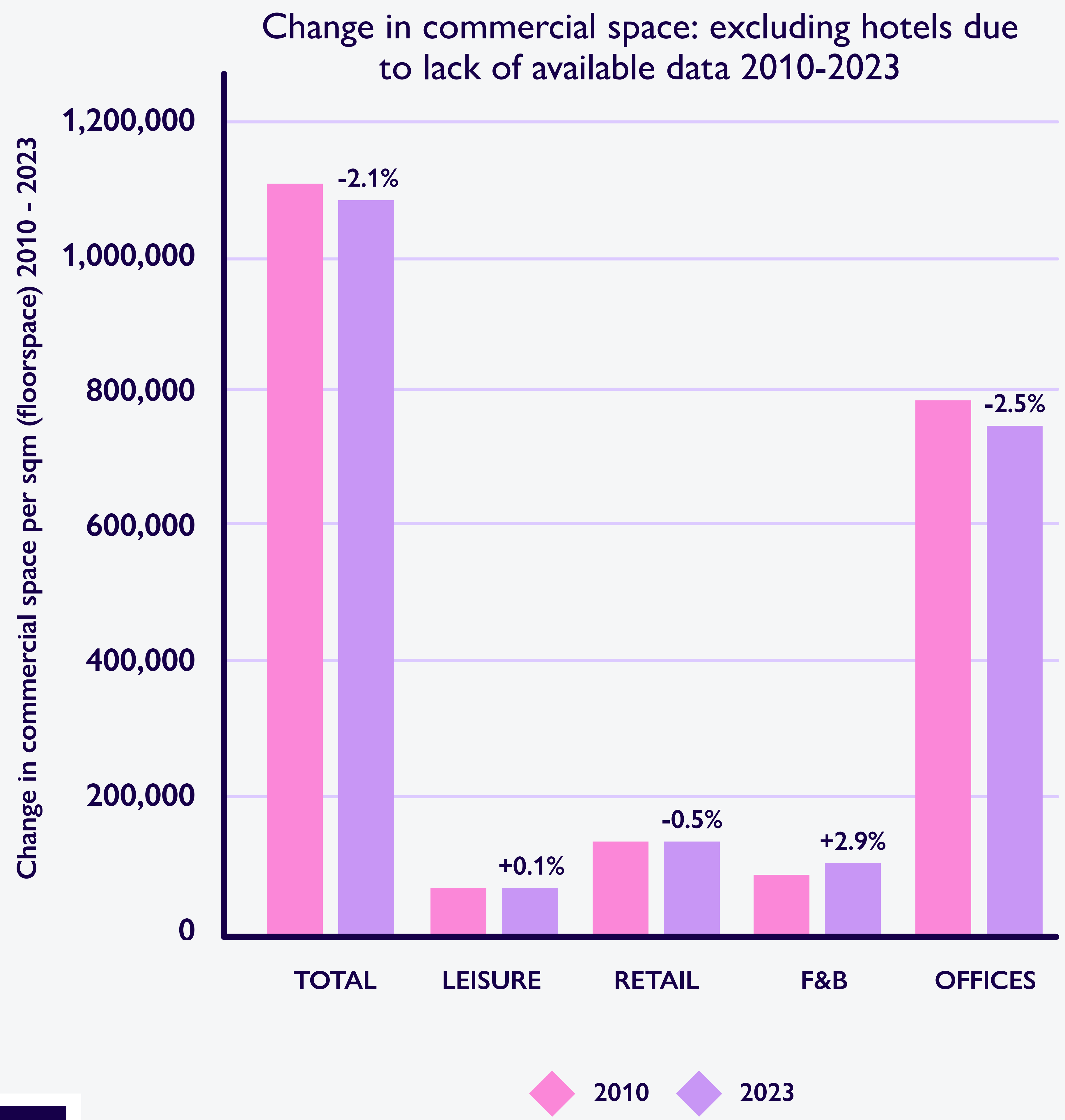
*Data correct as of June 2023
Vacant properties include those under developement

INTRO
ECONOMICS
COMMERCIAL
OFFICES
ENTERTAINMENT, LEISURE & CULTURE
HOTELS
MARKET INSIGHTS

In the last decade, the rateable value of commercial floorspace in the HOL area increased by more than 20%

However, the amount of commercial floorspace in the HOL area has decreased by 2.1% in the last decade.



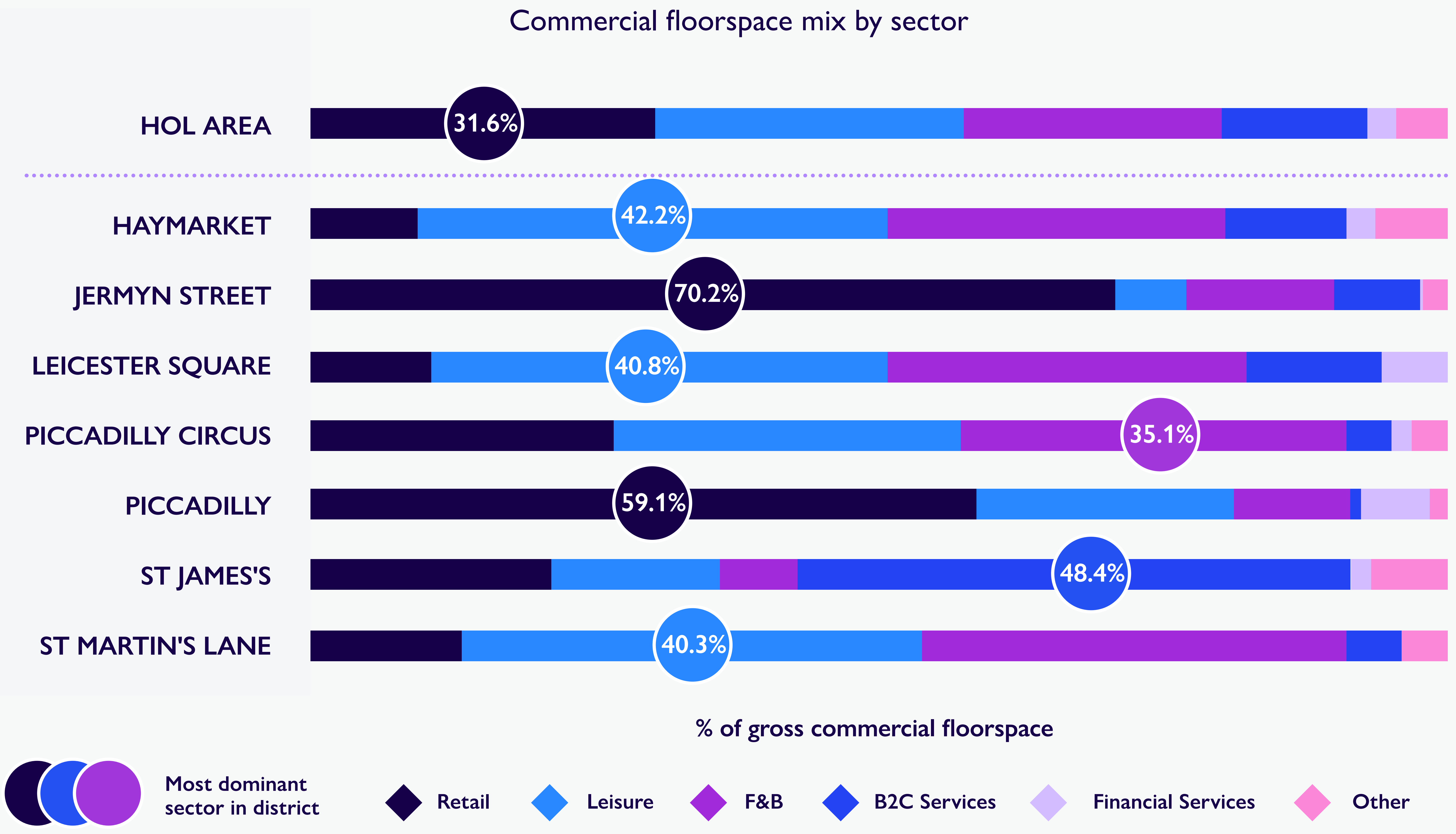


COMMERCIAL OCCUPIER ANALYSIS

Each district within the HOL area has a large mix of sectors represented in its commercial floorspace

Retail space
11.1%
in Leicester Square vs.
70.2%
in Jermyn Street

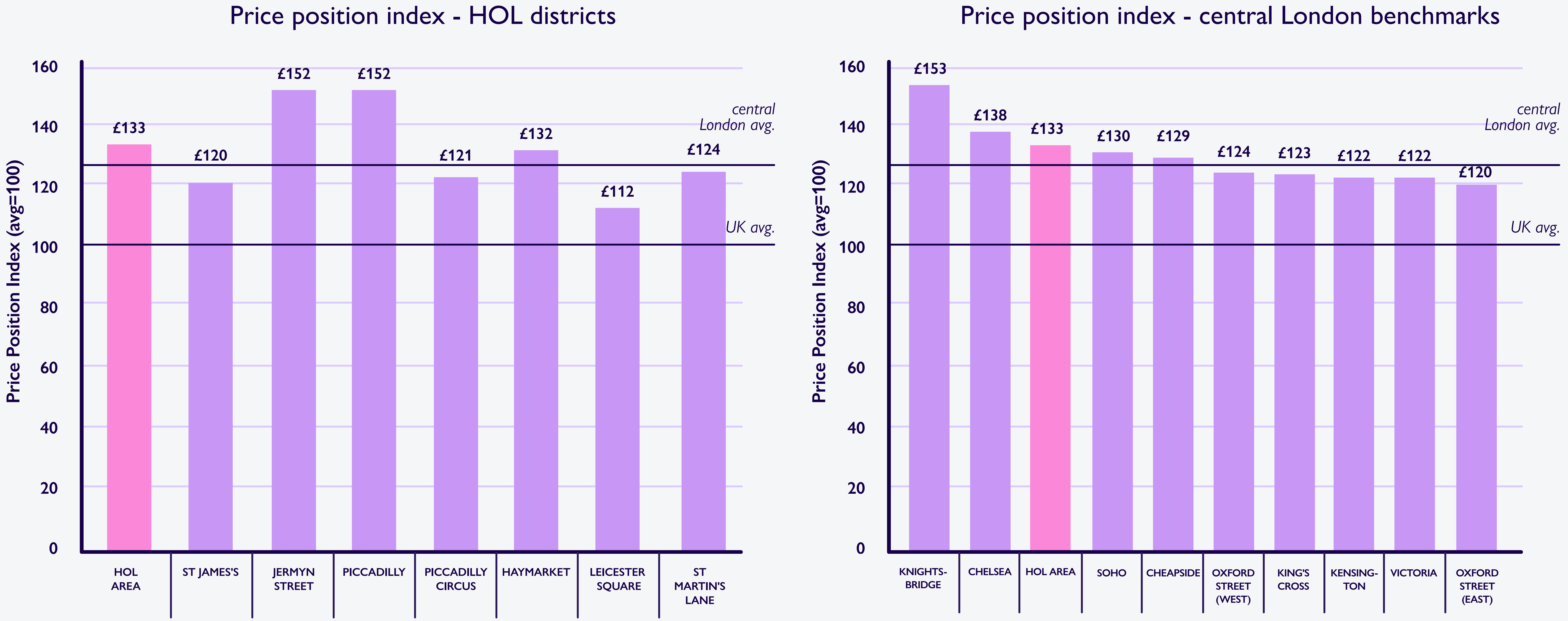
Leisure space
6.4%
in St James's vs.
42.2%
Haymarket



COMMERCIAL OCCUPIER ANALYSIS | PRICE POSITIONING*

The occupier mix is more upmarket in the HOL area than the central London average

HOL area
has the third most upscale retail and F&B offer in London

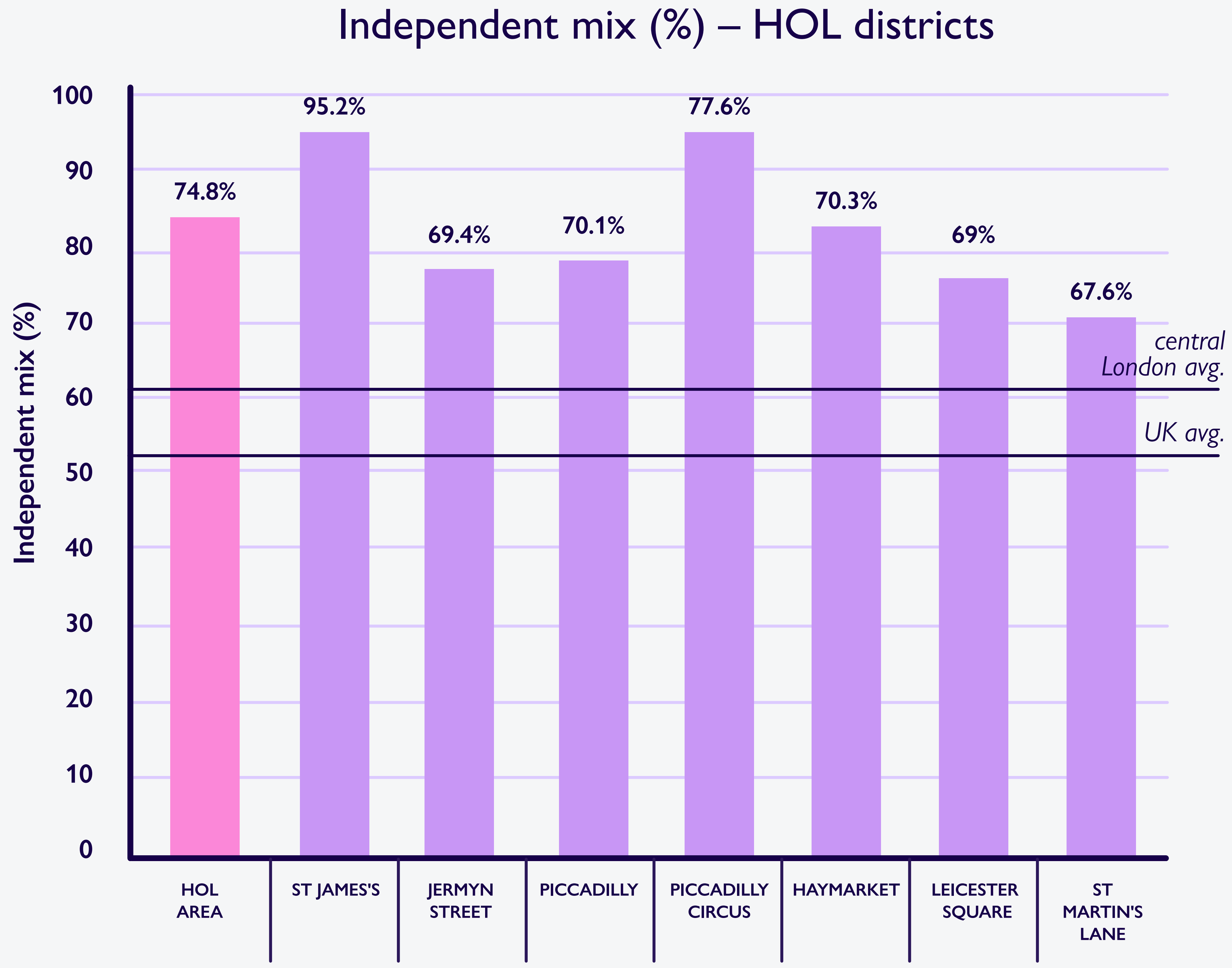


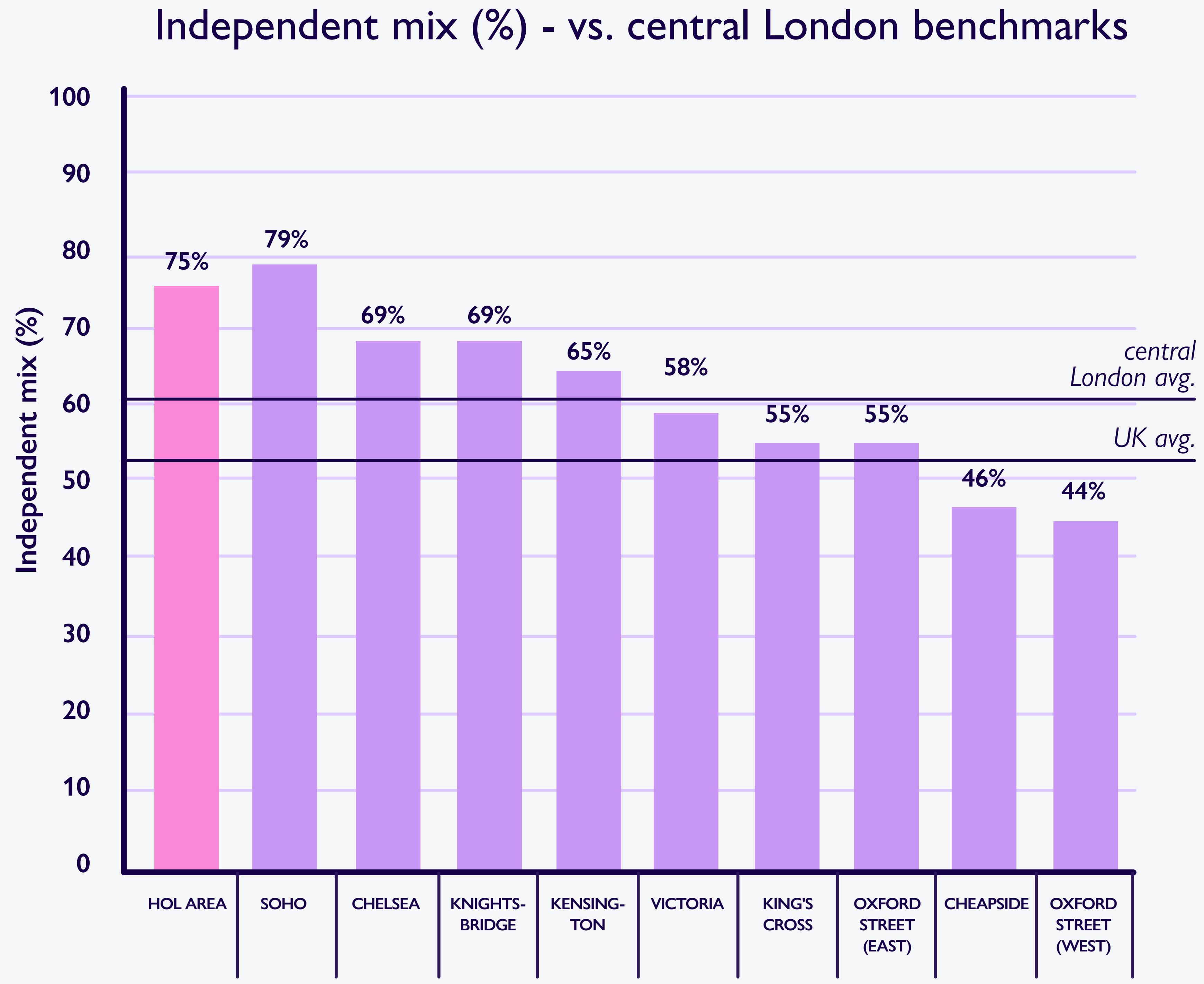
***Colliers' Price Position Index measures the luxury vs. discount focus of the offer in a location** – A score of 100 is in-line with the UK average i.e. indicative of mid-market offer

All HOL districts are ahead of both the UK and central London average in terms of independent vs. franchise occupier mix

95.2%

St James's has the most independent offer compared to any other central London benchmark area

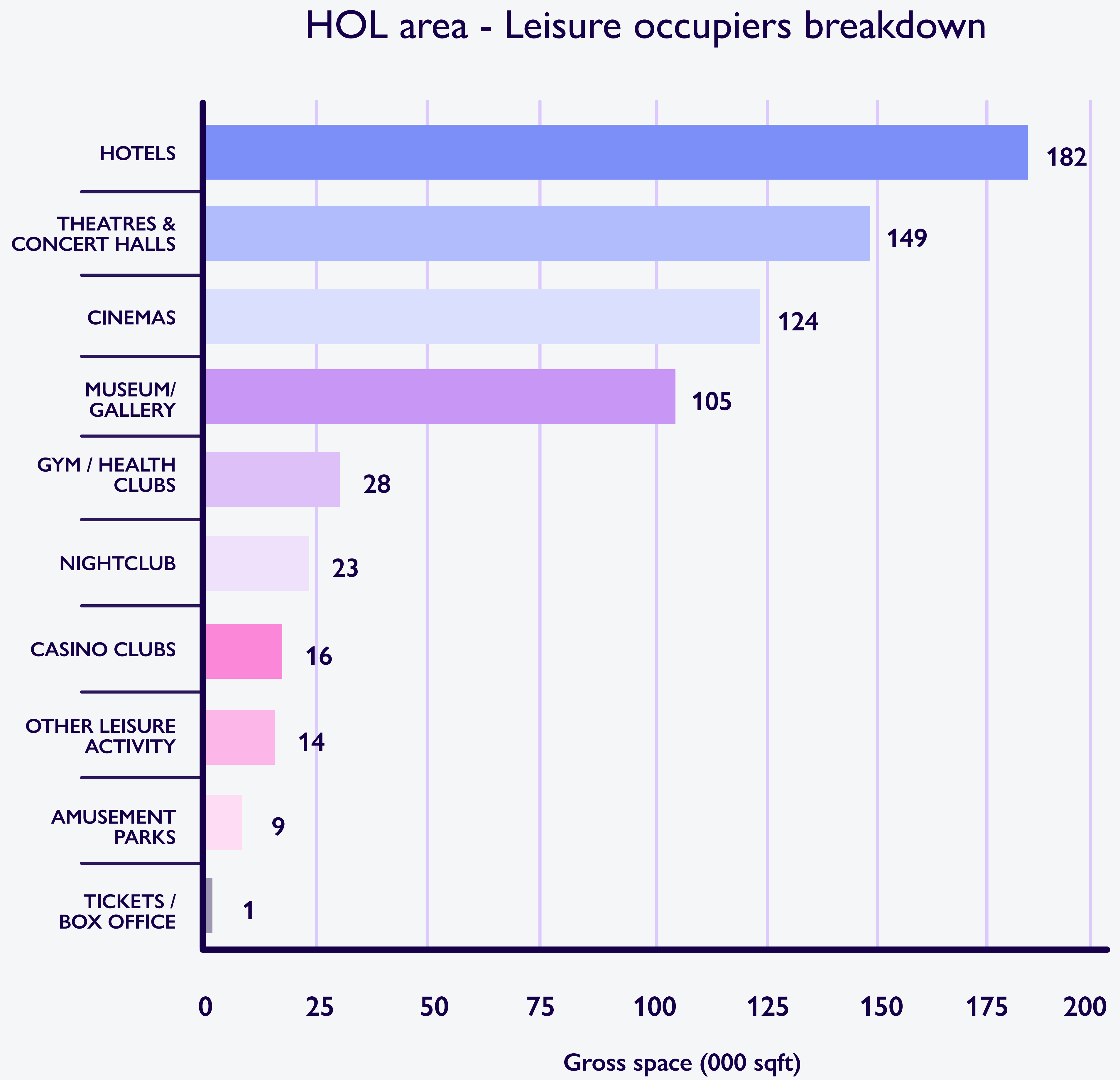


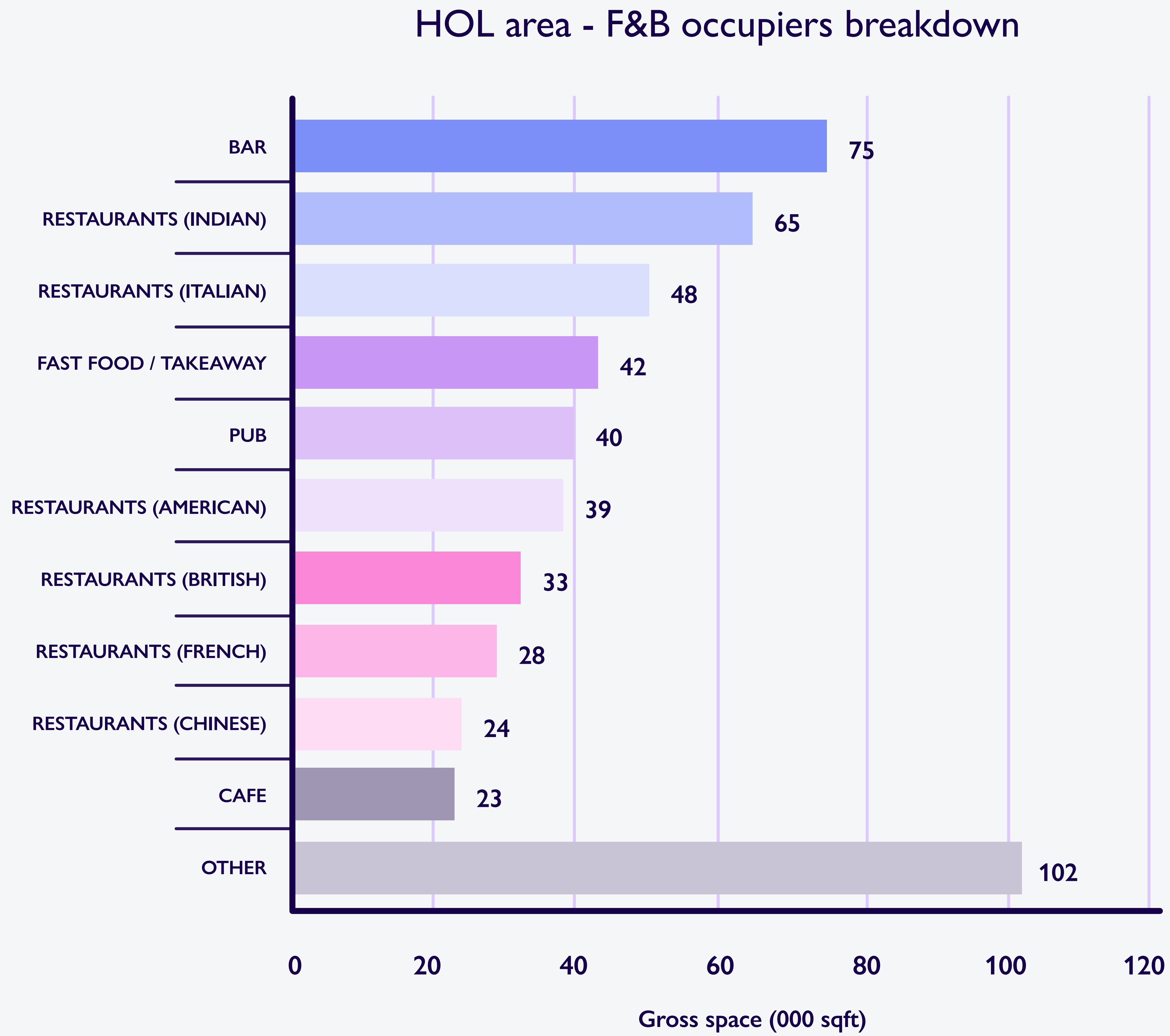


***Colliers' Price Position Index measures the luxury vs. discount focus of the offer in a location** – A score of 100 is in-line with the UK average i.e. indicative of mid-market offer

COMMERCIAL OCCUPIER ANALYSIS | LEISURE AND F&B BREAKDOWN

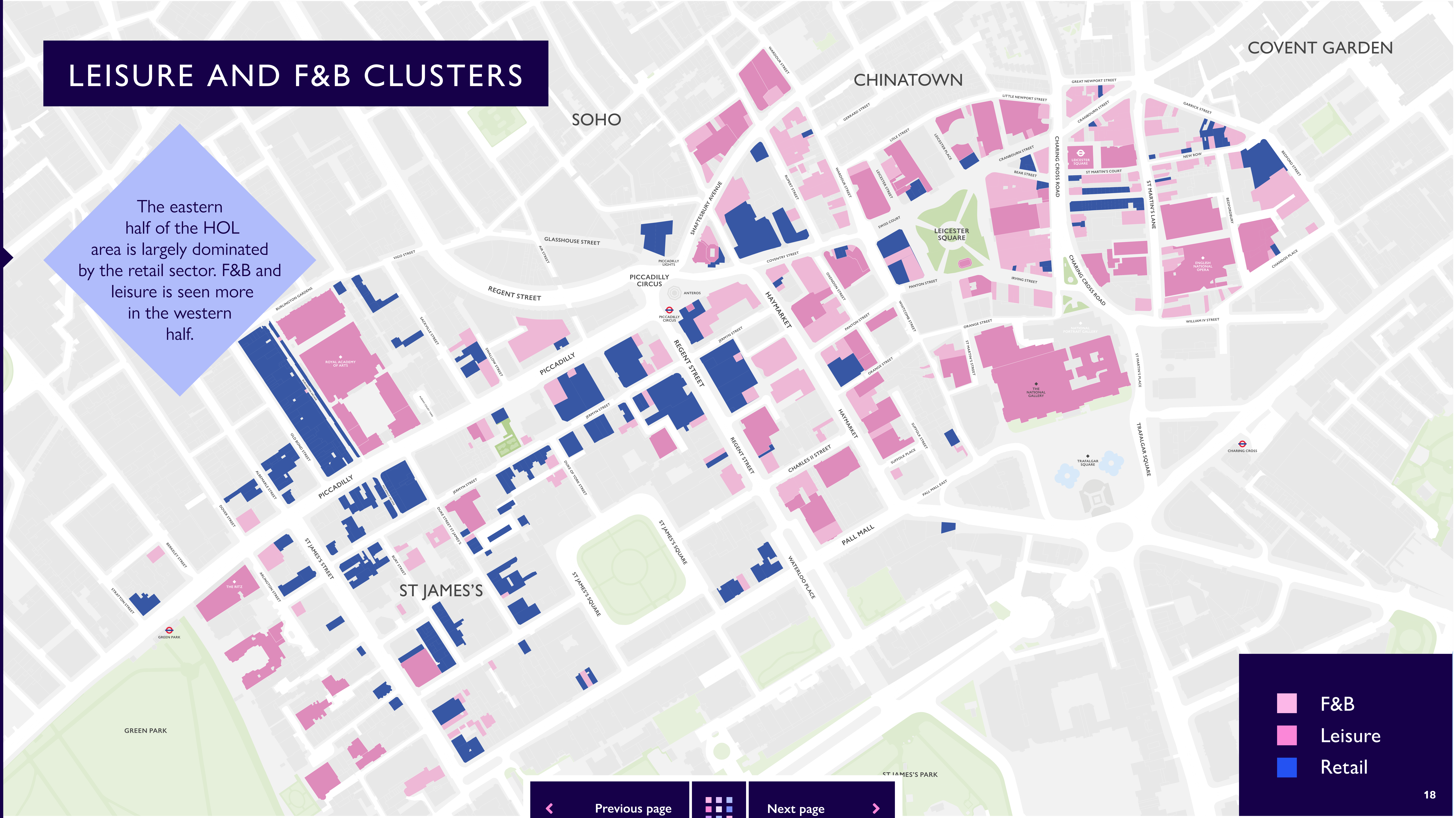
The HOL area is home to 651,000 sqft of leisure activities and 519,000 sqft of F&B venues





LEISURE AND F&B CLUSTERS

The eastern half of the HOL area is largely dominated by the retail sector. F&B and leisure is seen more in the western half.



- F&B
- Leisure
- Retail

ECONOMIC & REAL ESTATE INSIGHTS REPORT

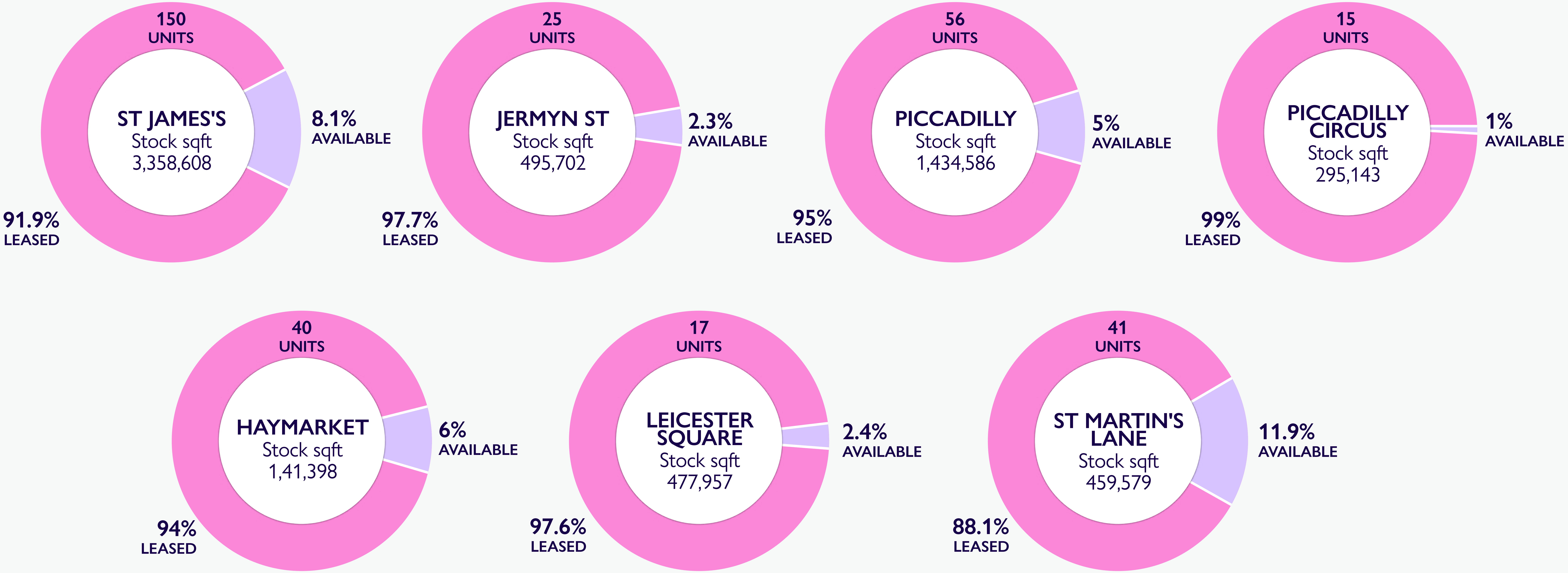
OFFICES

04

Quick links

OFFICE SPACE ANALYSIS

There are 344 office units* in the HOL area

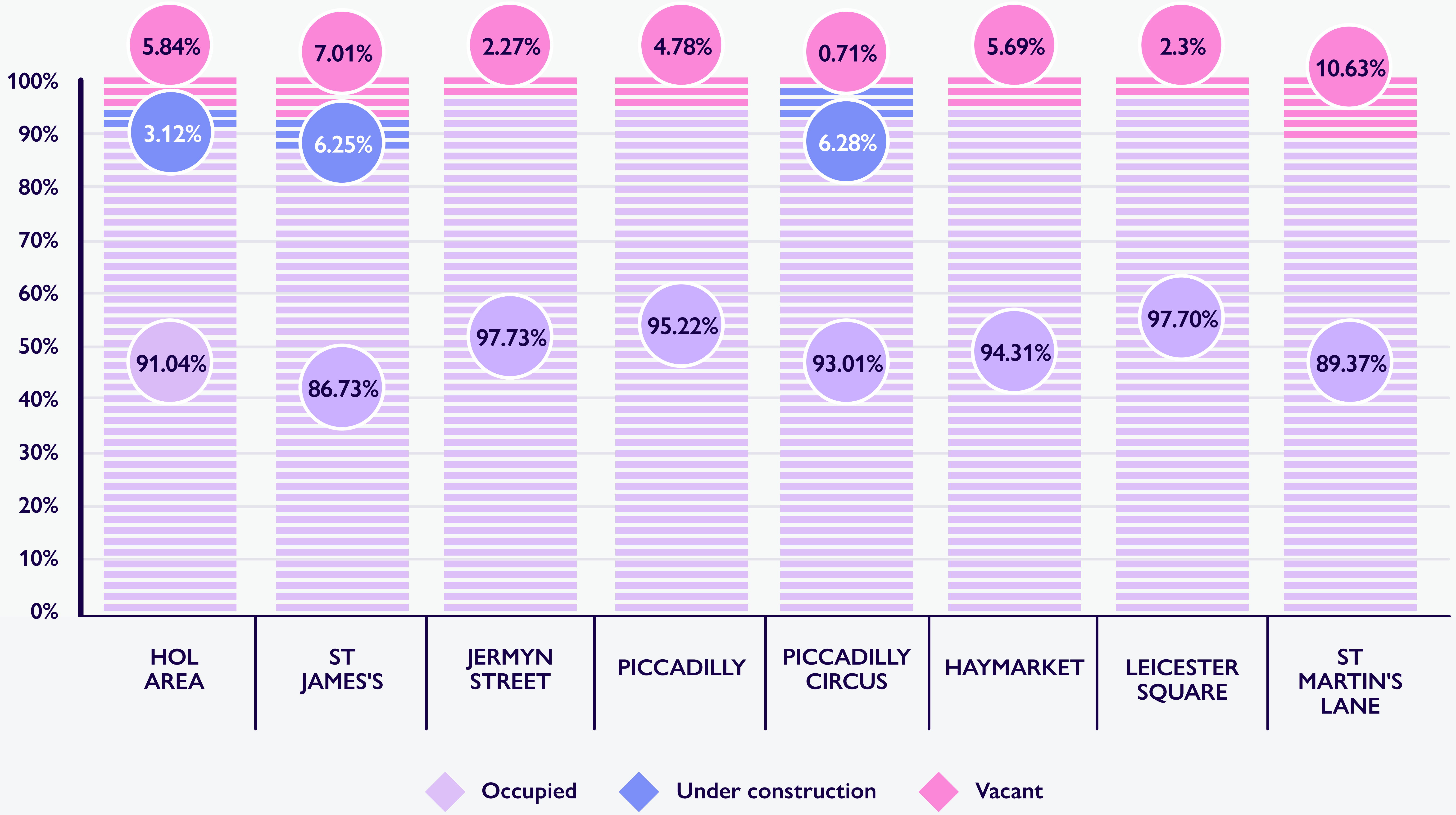


* Units referred to as individual hereditaments
Data correct as of June 2023

OFFICE OCCUPIER ANALYSIS

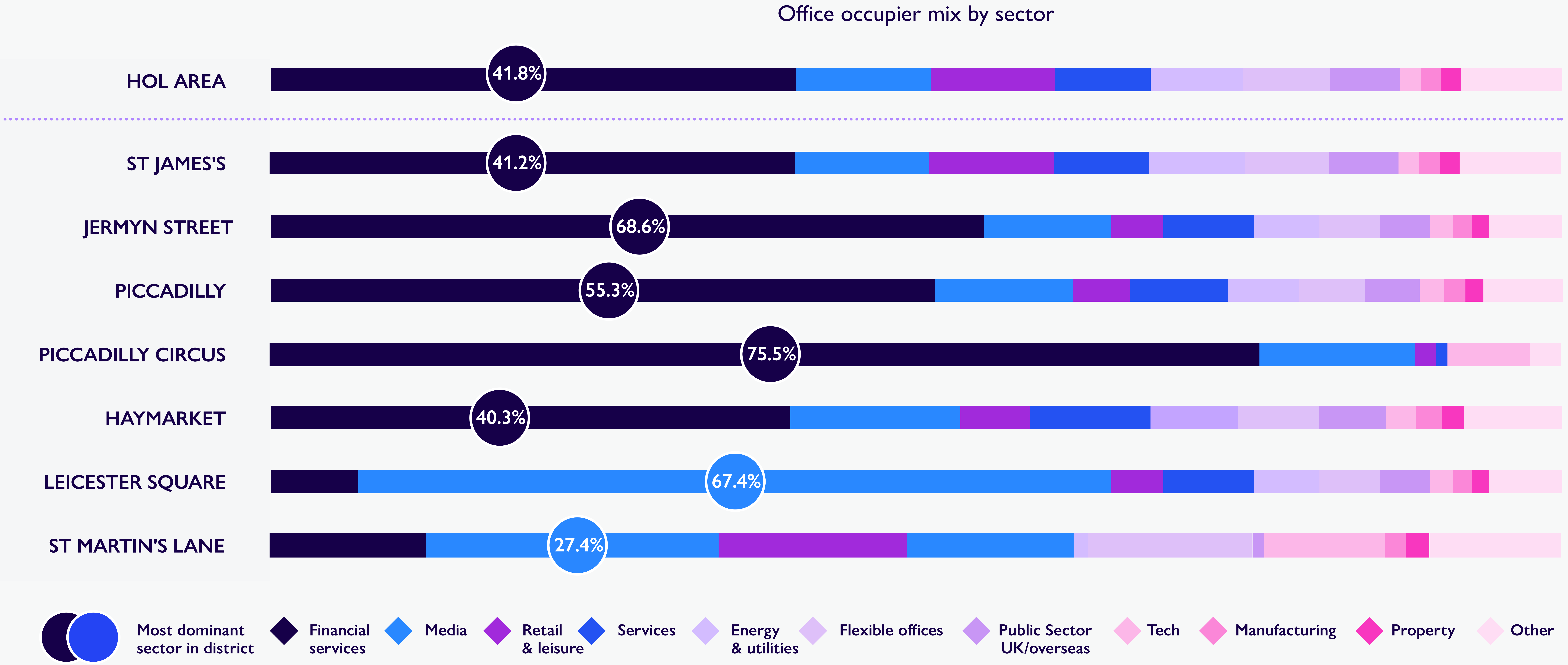
91% of office space across the HOL area is currently occupied

97.8%
Jermyn Street has the highest occupancy rate



OFFICE OCCUPIER ANALYSIS

Financial services dominates in 5 out of 7 of the HOL districts



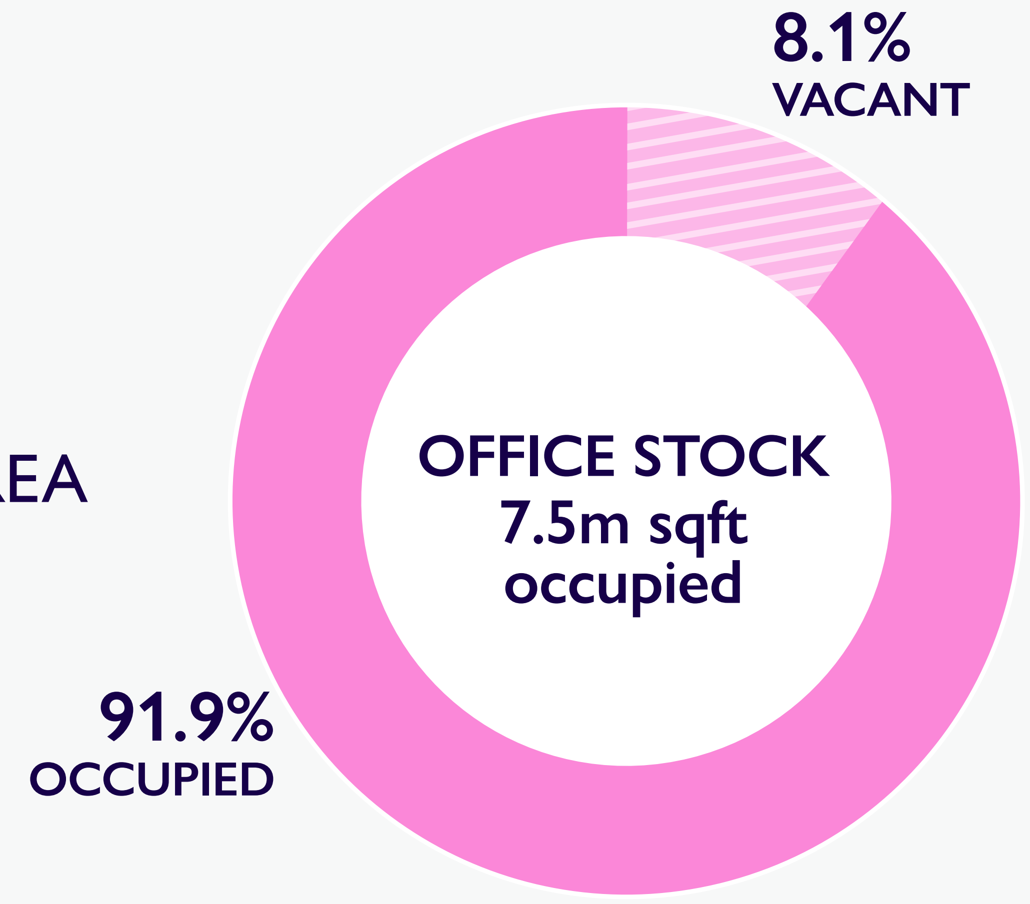
OFFICE BUILDING ANALYSIS

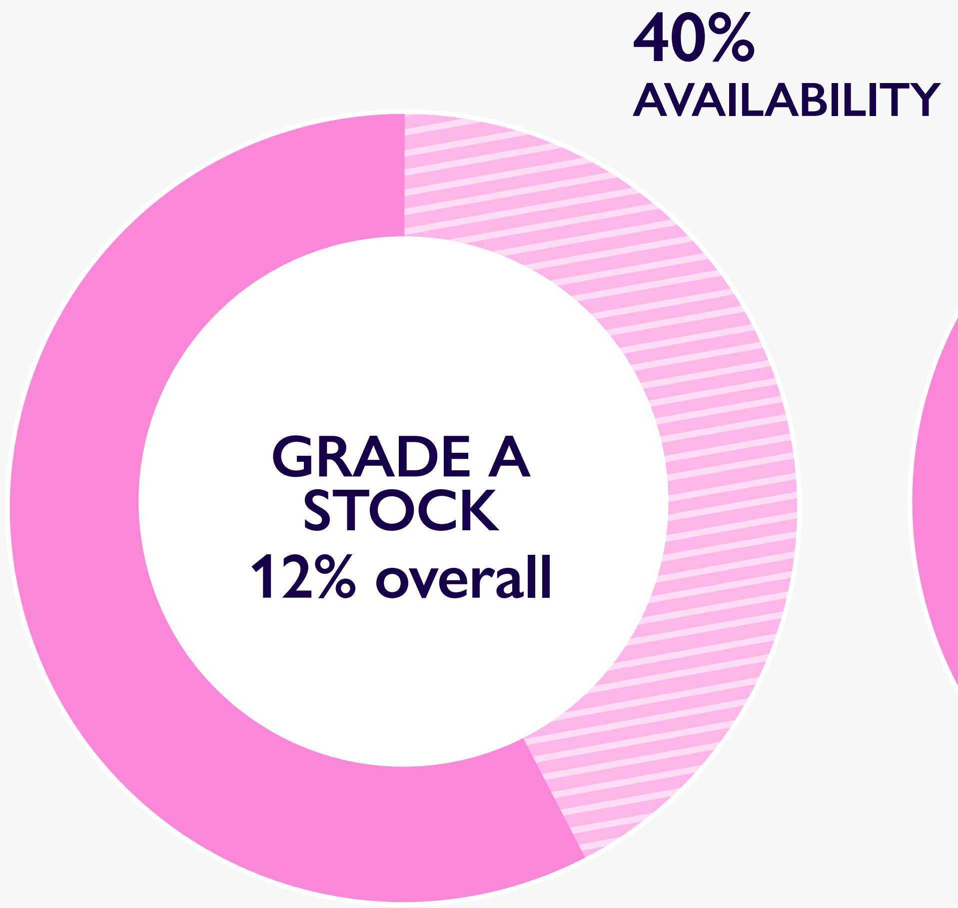
12% of office stock in the HOL area is classified as Grade A

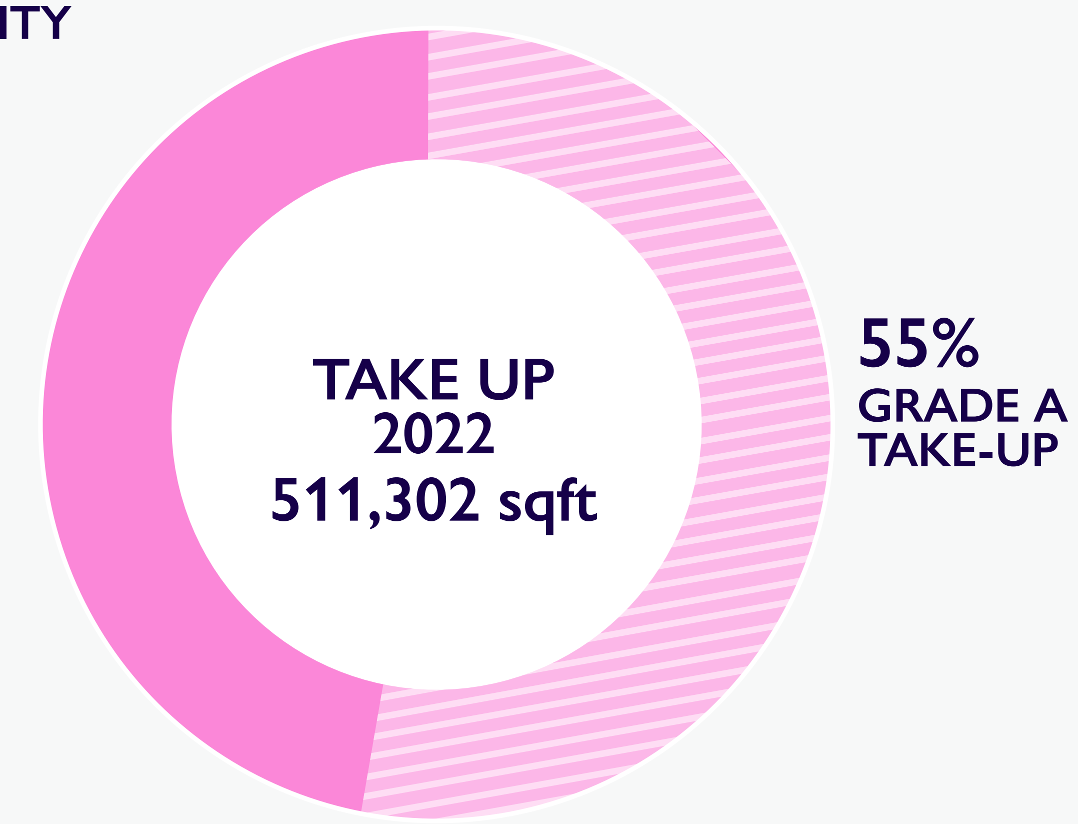
8%
of office stock in the HOL area is Grade A new

8.1m sqft
estimated net office space in the HOL area

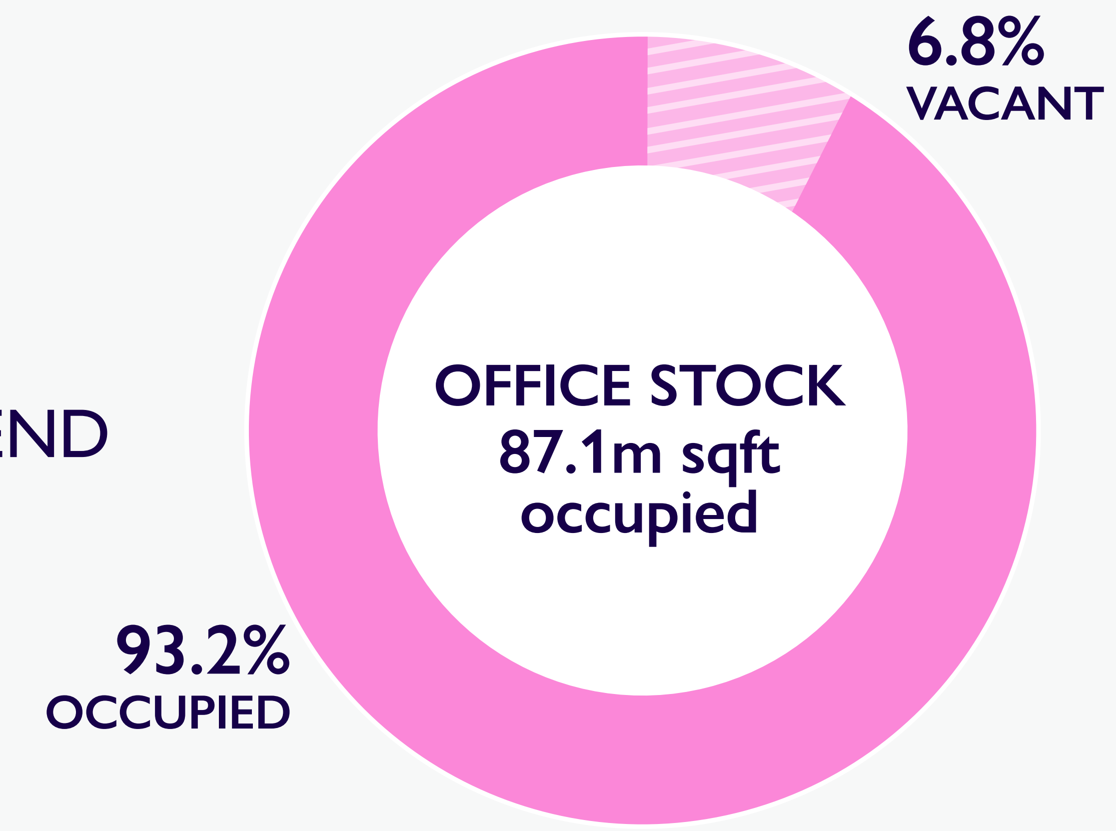
HOL AREA

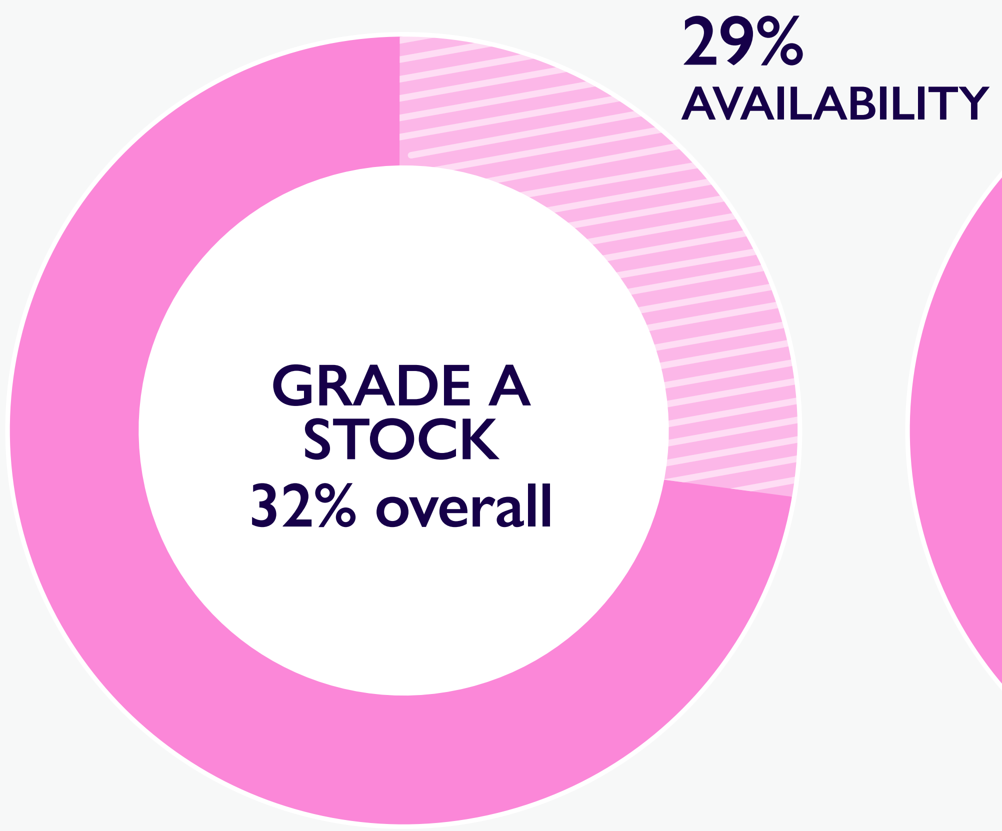


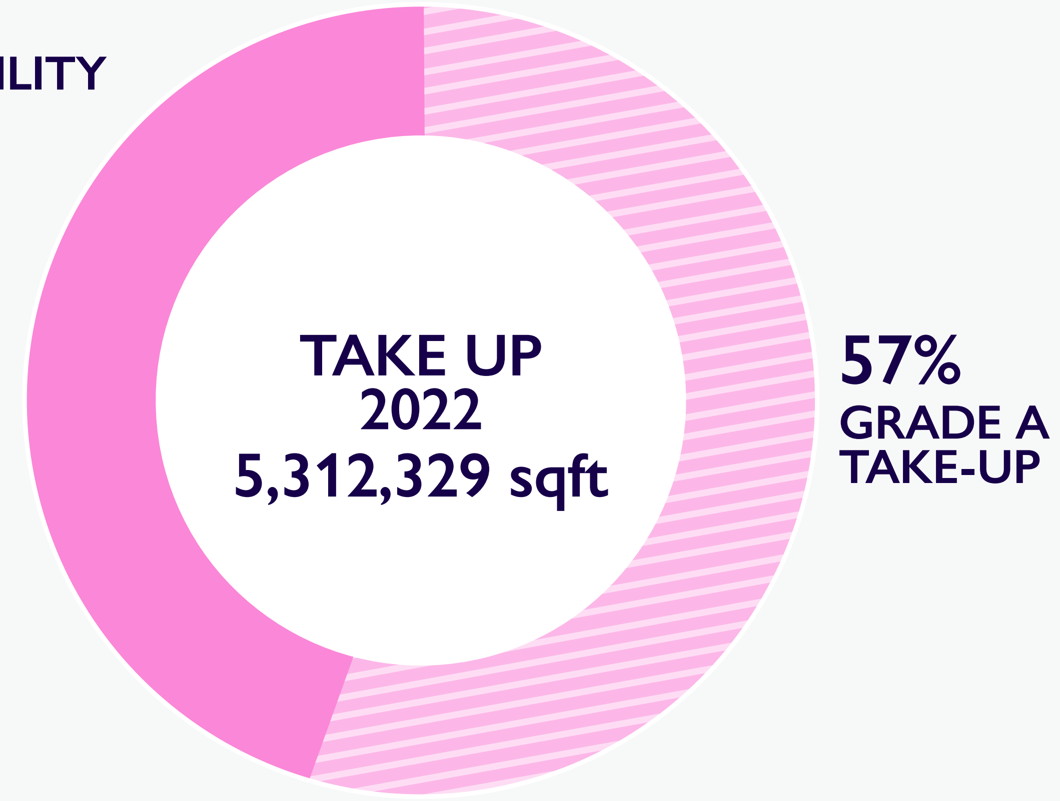




WEST END







Definitions

GRADE A NEW - Redevelopment / comprehensive refurb within past 2 years

GRADE A 2nd - Grade A quality over 2 years old

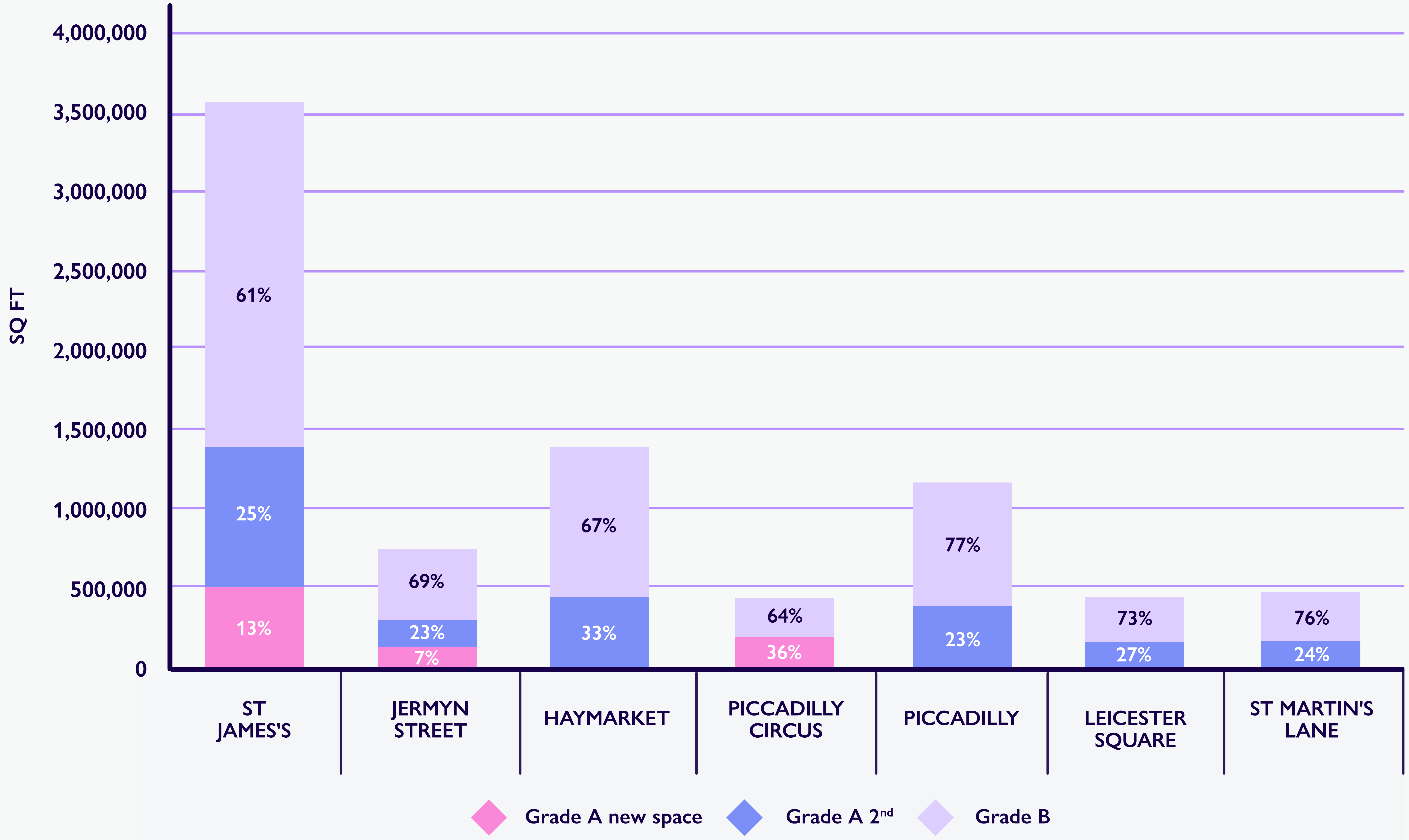
GRADE B - Other property

GRADE C is defined as unrefurbished office space and has not been included in this study

OFFICE BUILDING ANALYSIS

67% of office stock in the HOL area is Grade B

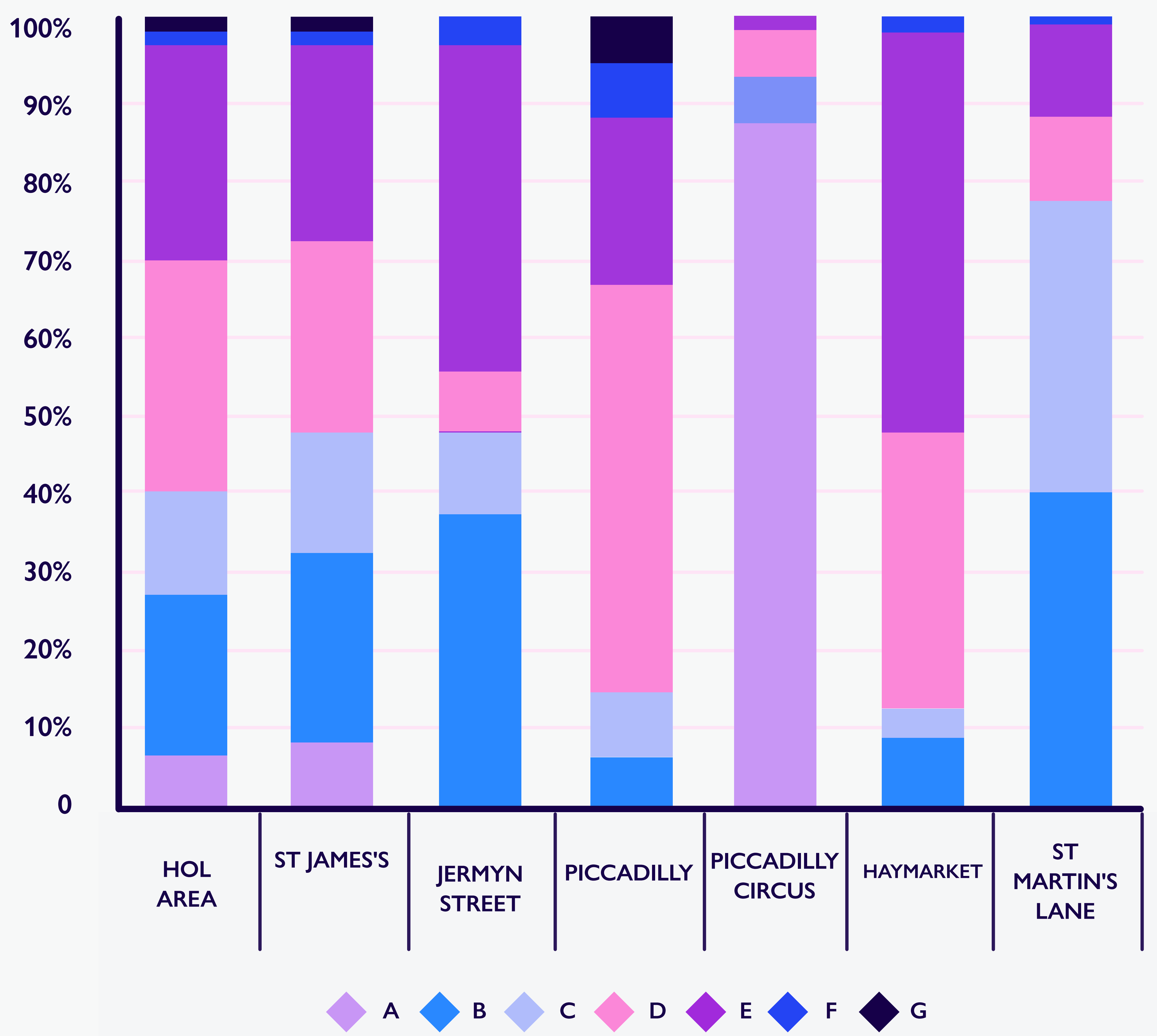
St James's & Piccadilly Circus are currently the only areas with Grade A new space

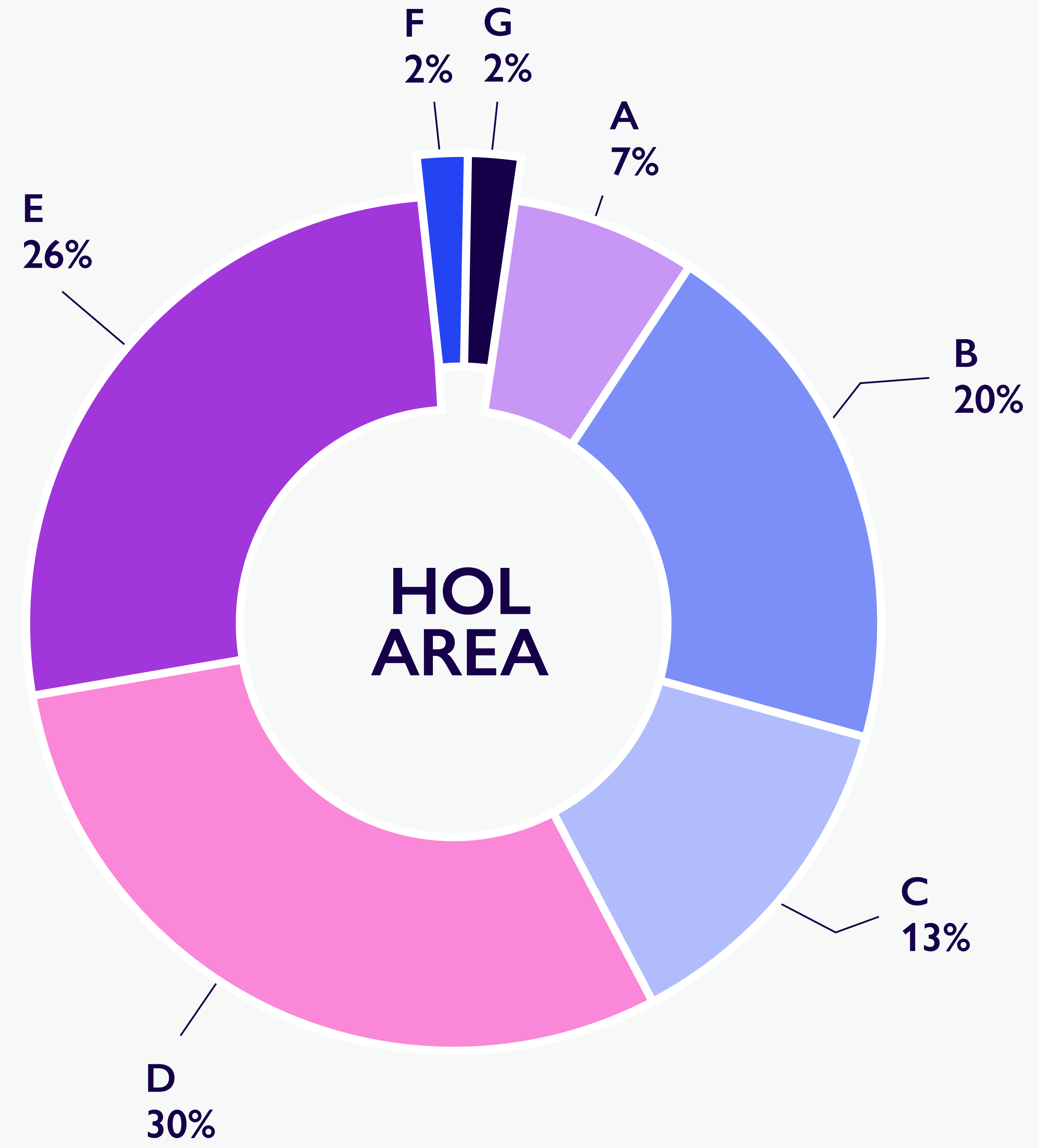


96% of offices in the HOL area are compliant with the current MEES* regulations.

Since April 2023 it is now unlawful to let commercial buildings without (EPC) rating of 'E' or above by MEES

HOL district's EPC breakdown



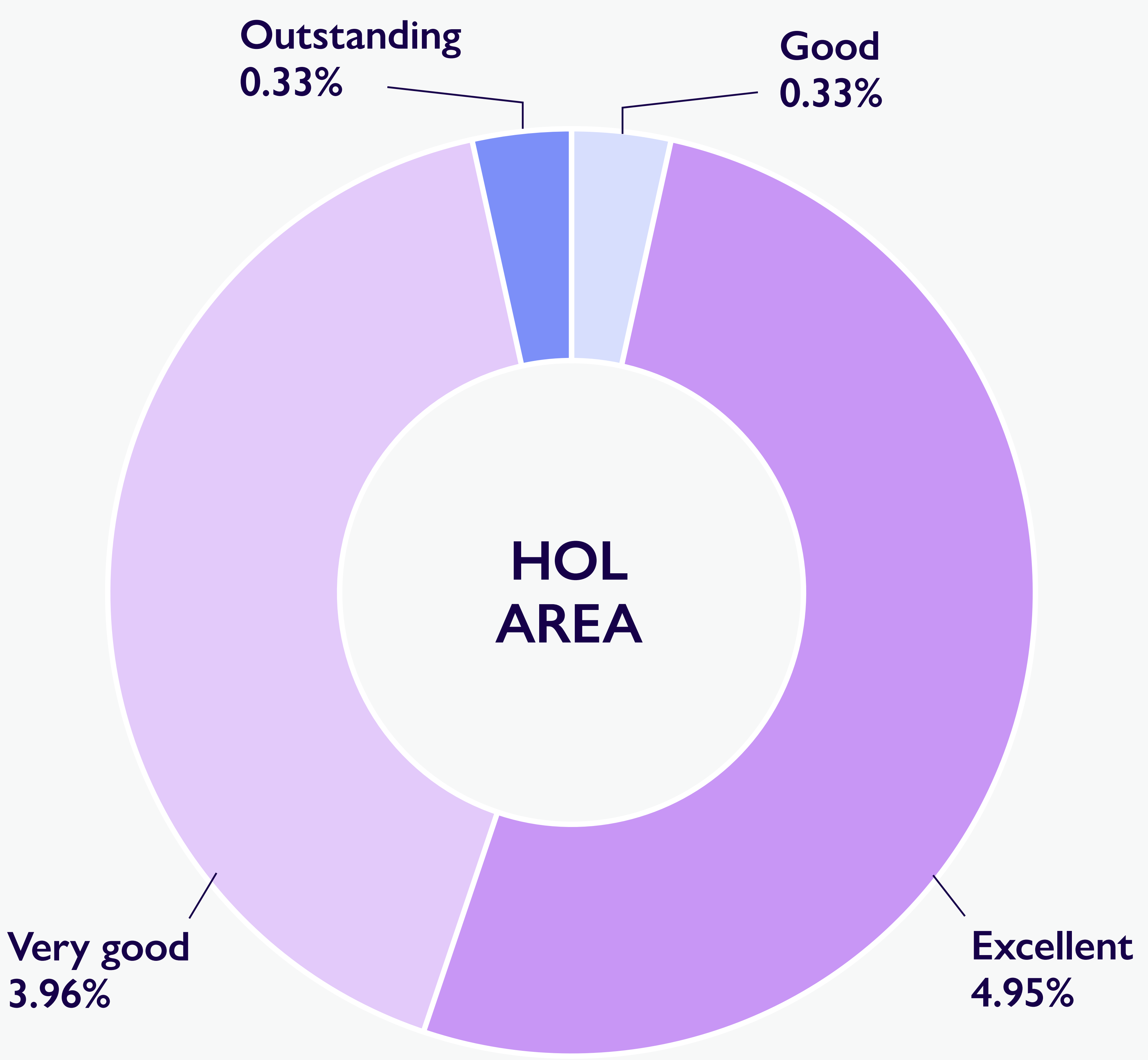


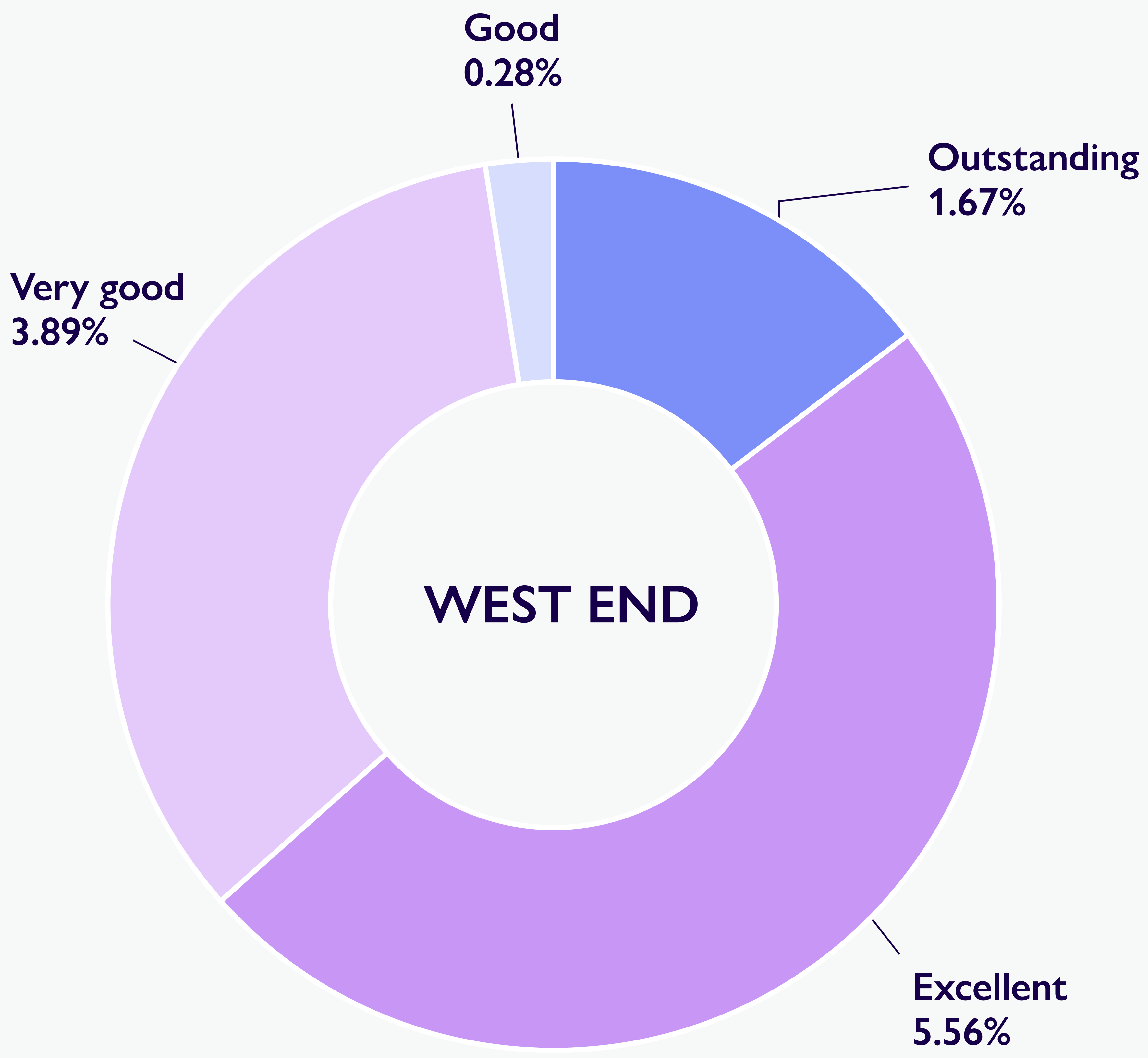
*(Minimum Energy Efficiency Standard) regulations.

The HOL area is in line with wider West End BREEAM* profile

Shortage of future proofed 'Outstanding' quality units is marked across both geographies.

90.43% of buildings in the HOL area and 88.61% of buildings in the West End are currently unrated.





*BREEAM (Building Research Establishment Environmental Assessment Method) uses recognised measures of performance to evaluate a buildings specification.

05

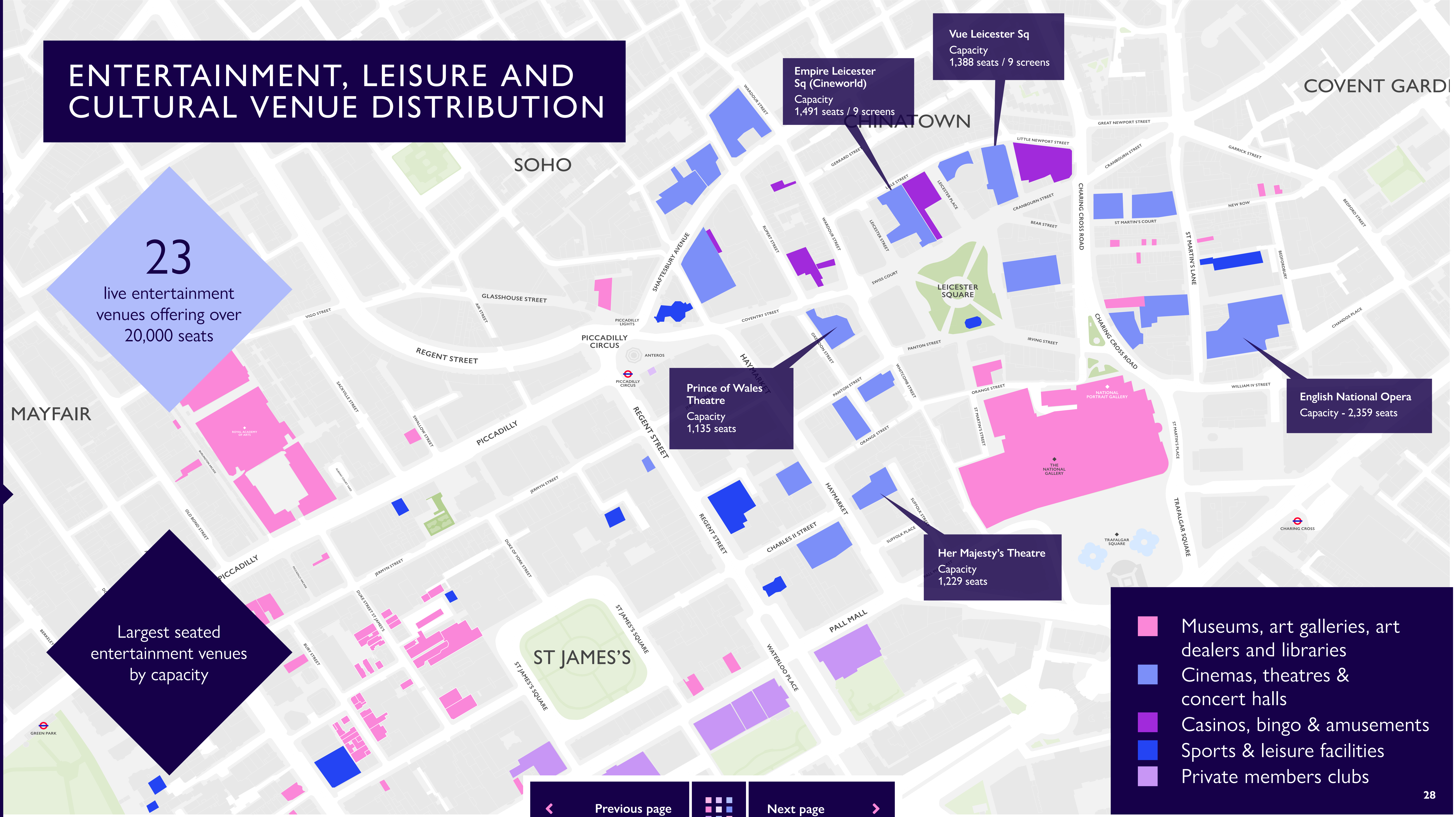
ECONOMIC & REAL ESTATE INSIGHTS REPORT

ENTERTAINMENT, LEISURE & CULTURE

Quick links

Entertainment, Leisure and Cultural Venue distribution →

ENTERTAINMENT, LEISURE AND CULTURAL VENUE DISTRIBUTION



23 live entertainment venues offering over 20,000 seats

Largest seated entertainment venues by capacity

Vue Leicester Sq
Capacity
1,388 seats / 9 screens

Empire Leicester Sq (Cineworld)
Capacity
1,491 seats / 9 screens

Prince of Wales Theatre
Capacity
1,135 seats

Her Majesty's Theatre
Capacity
1,229 seats

English National Opera
Capacity - 2,359 seats

- Museums, art galleries, art dealers and libraries
- Cinemas, theatres & concert halls
- Casinos, bingo & amusements
- Sports & leisure facilities
- Private members clubs

06

ECONOMIC & REAL ESTATE INSIGHTS REPORT

HOTELS

Quick links

Hotel estate →

Hotel analysis →

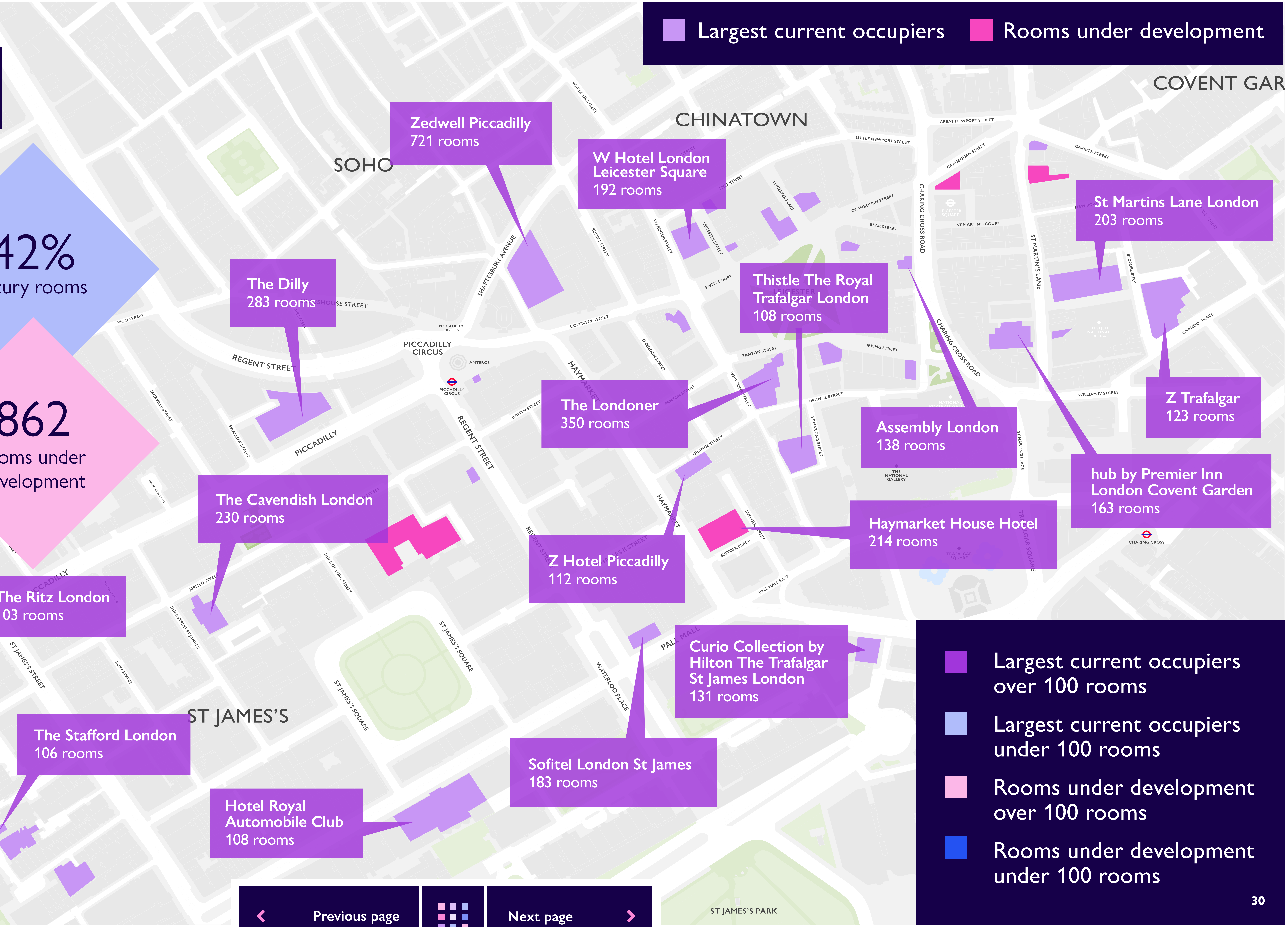
HOTEL ESTATE

30 Hotels/serviced apartments

42% luxury rooms

4,141 rooms

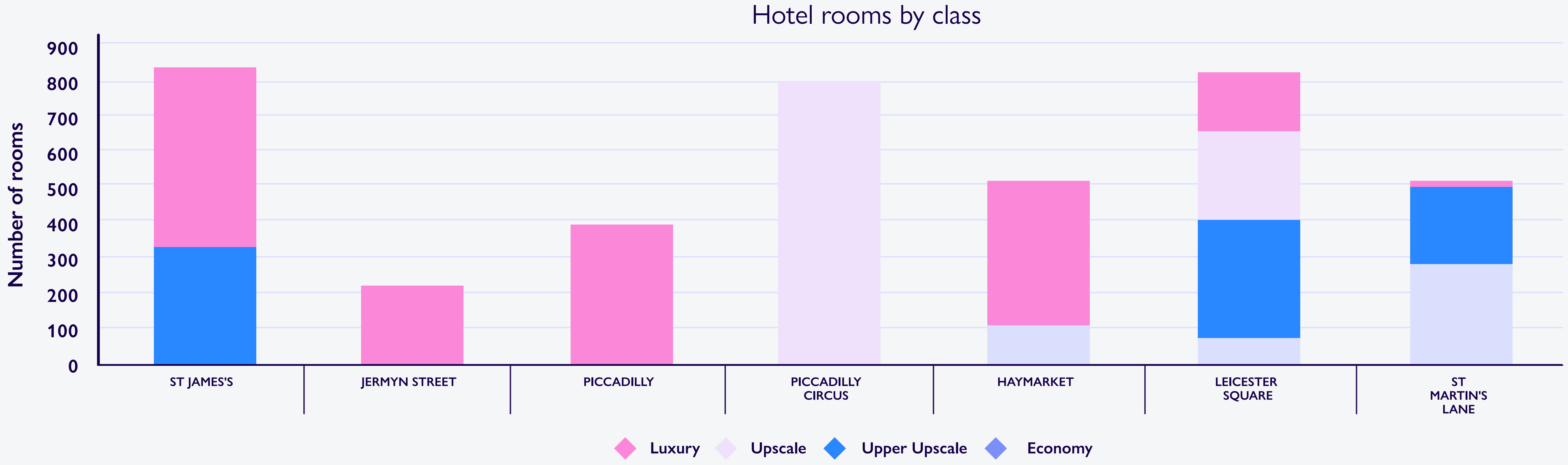
862 rooms under development

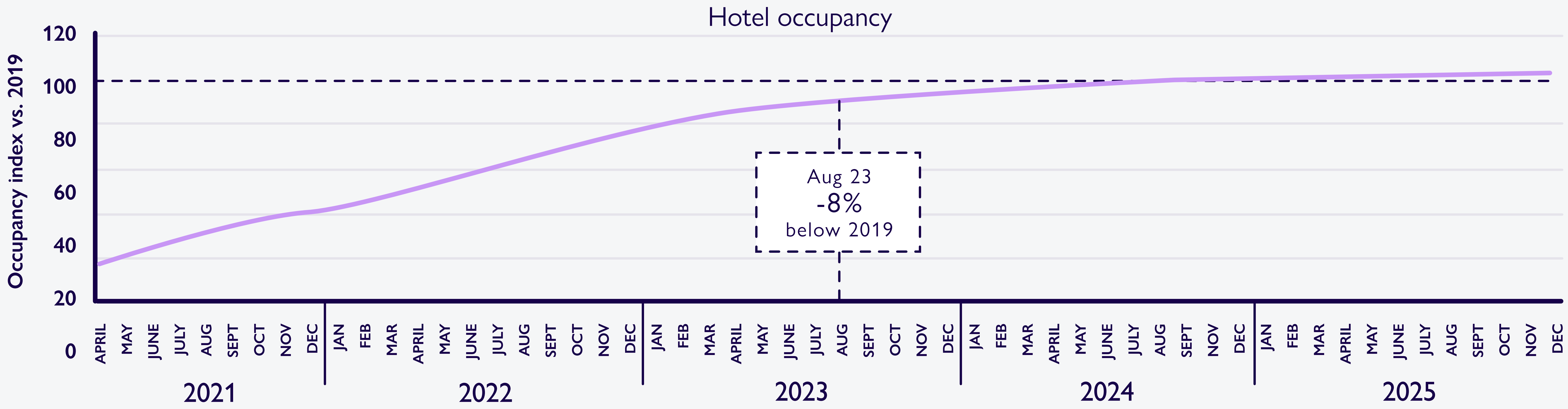


HOTEL ANALYSIS

Occupancy forecast to recover to 2019 levels by Q4 2024

75%
occupancy
(last 12 months)



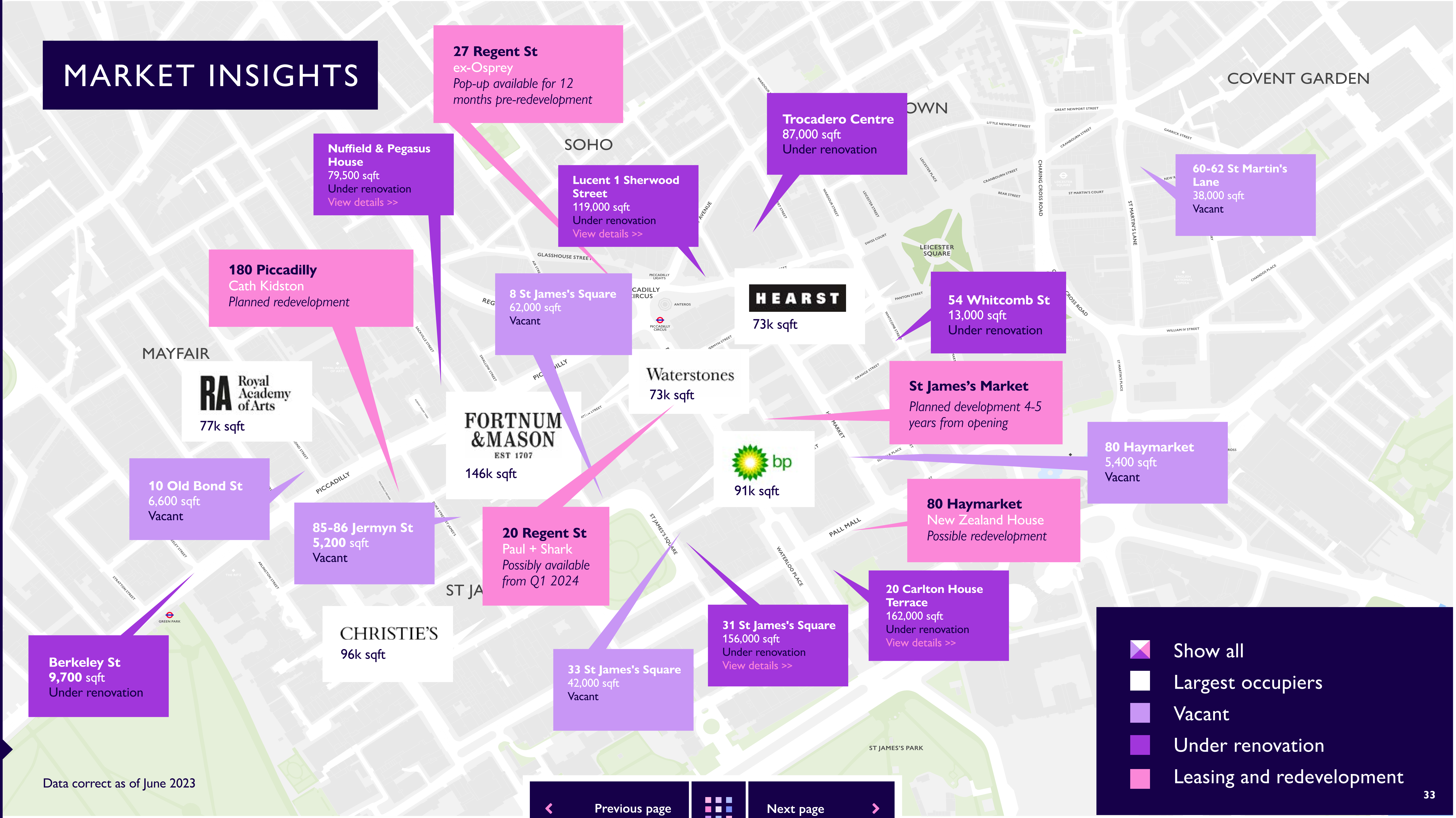


07

ECONOMIC & REAL ESTATE INSIGHTS REPORT

MARKET INSIGHTS

MARKET INSIGHTS



Data correct as of June 2023

- Show all
- Largest occupiers
- Vacant
- Under renovation
- Leasing and redevelopment

HEART
OF LONDON
BUSINESS
ALLIANCE

IN PARTNERSHIP WITH

Colliers

centreforcities

Mark Williams,
Director of Destination
mark@holba.london

Angela Reed,
Head of Strategic Relations
angela@holba.london

Matt Harris,
Data and Insights Manager
matth@holba.london

www.holba.london

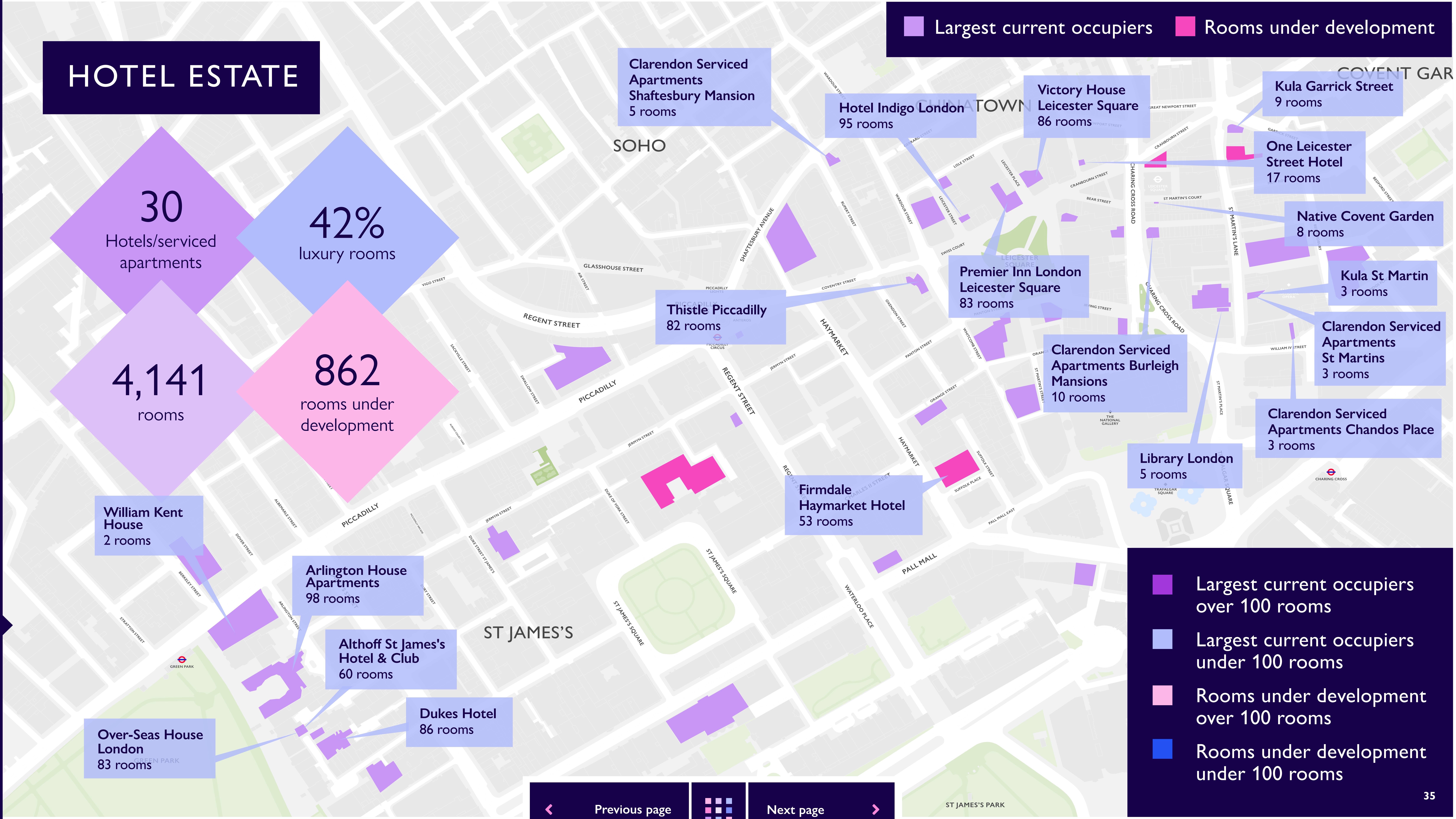
HOTEL ESTATE

30 Hotels/serviced apartments

42% luxury rooms

4,141 rooms

862 rooms under development



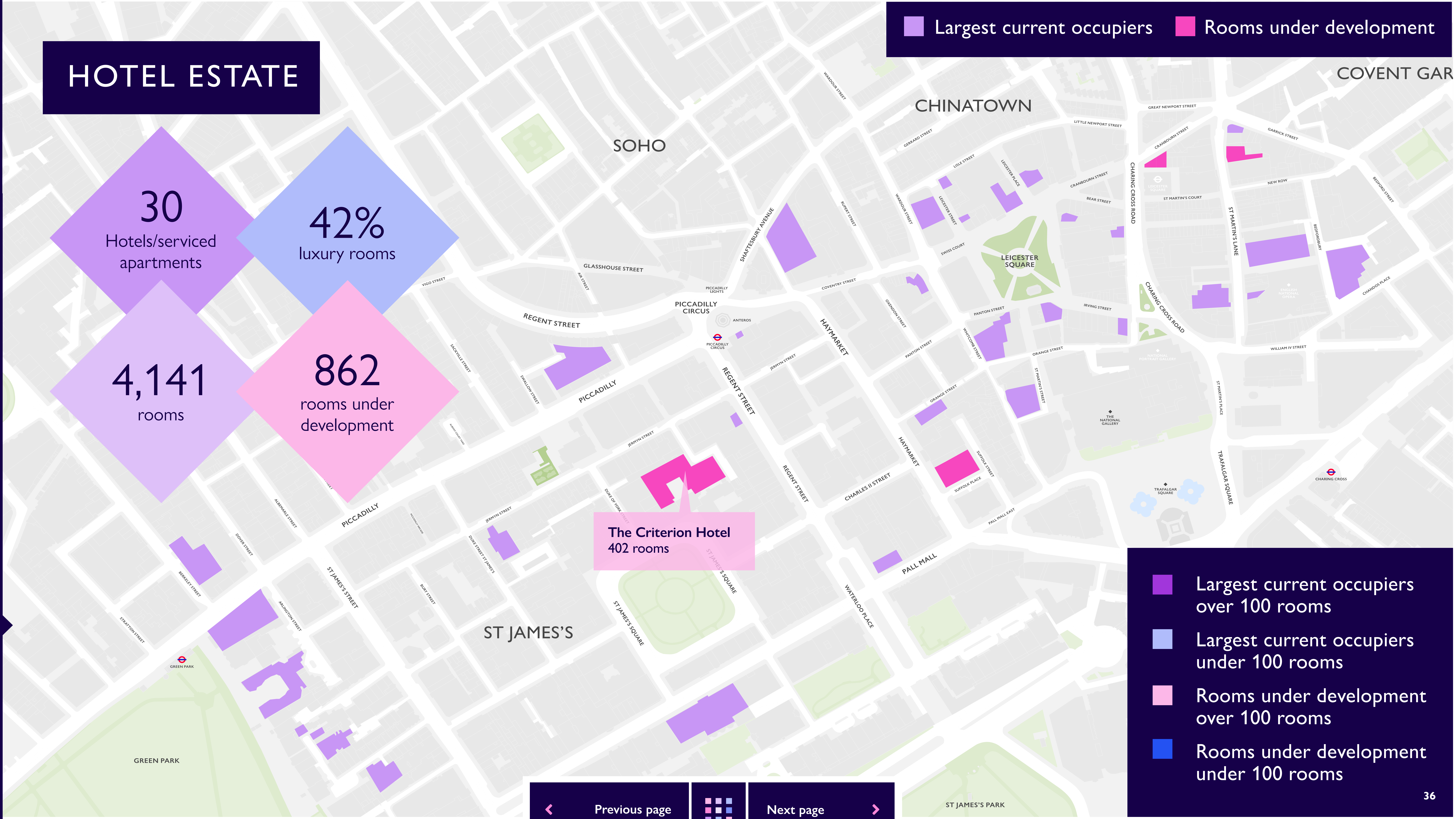
HOTEL ESTATE

30
Hotels/serviced apartments

42%
luxury rooms

4,141
rooms

862
rooms under development



HOTEL ESTATE

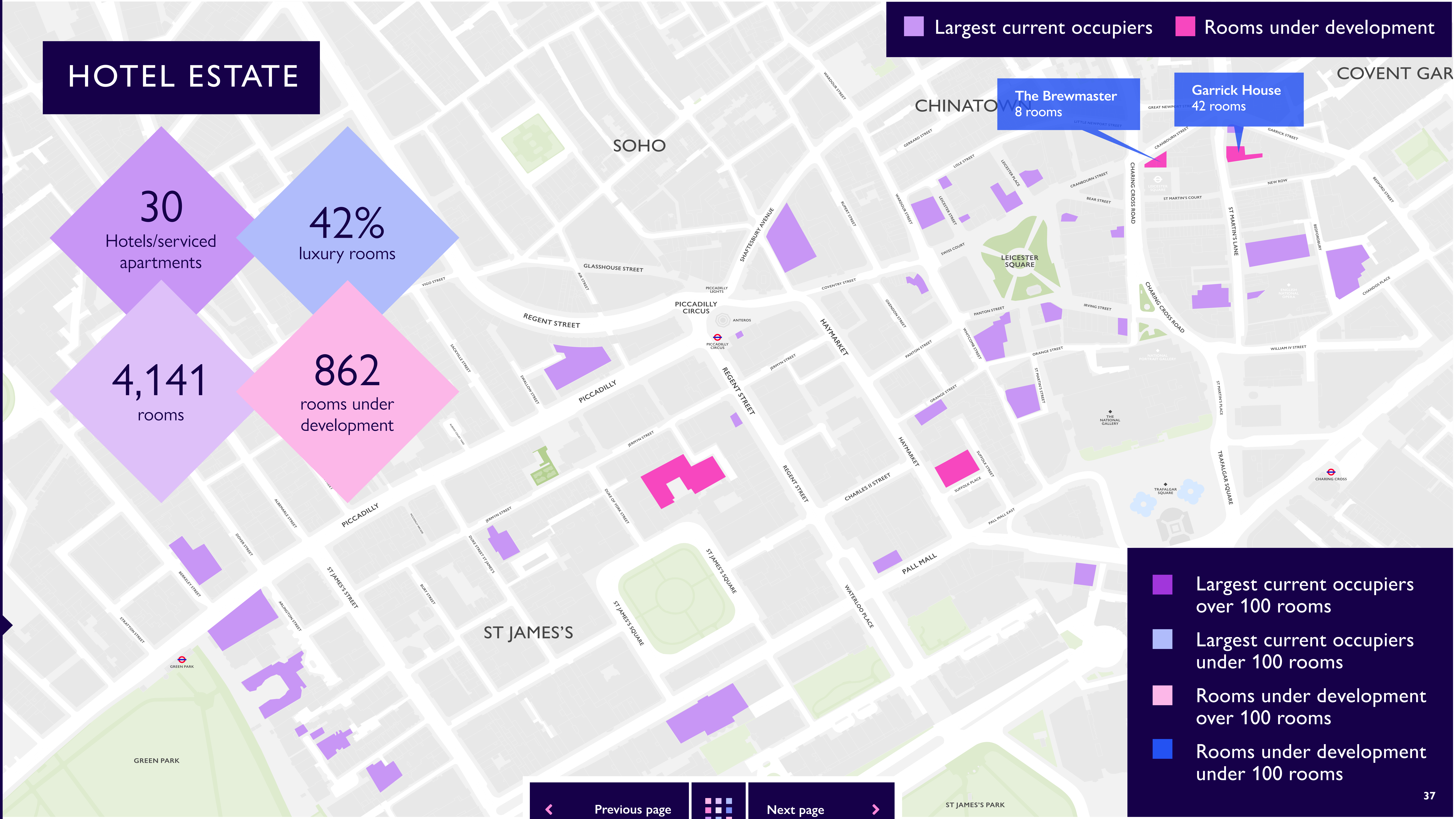
30 Hotels/serviced apartments

42% luxury rooms

4,141 rooms

862 rooms under development

Largest current occupiers | Rooms under development



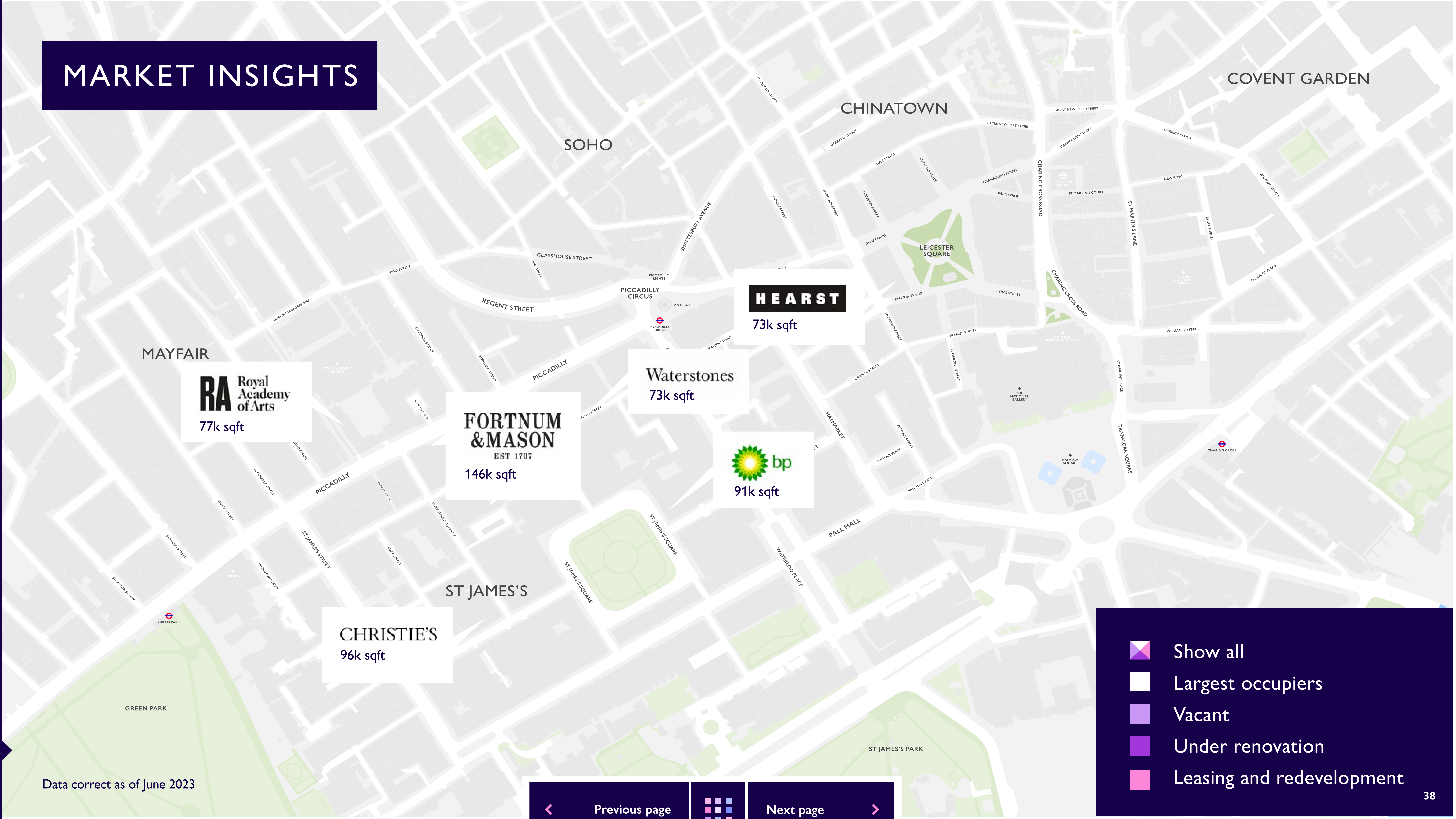
Largest current occupiers over 100 rooms

Largest current occupiers under 100 rooms

Rooms under development over 100 rooms

Rooms under development under 100 rooms

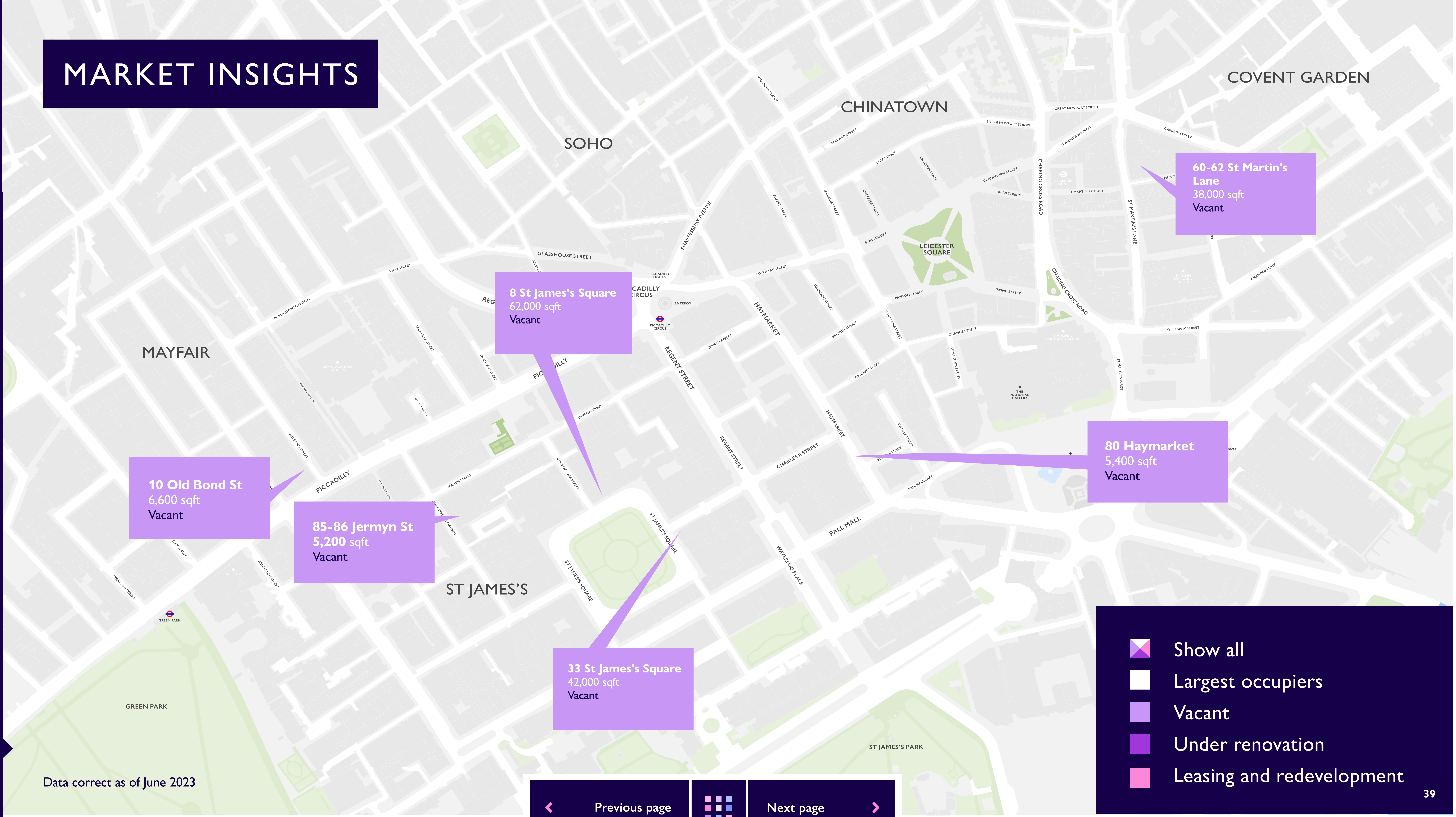
MARKET INSIGHTS



Show all
Largest occupiers
Vacant
Under renovation
Leasing and redevelopment

Data correct as of June 2023

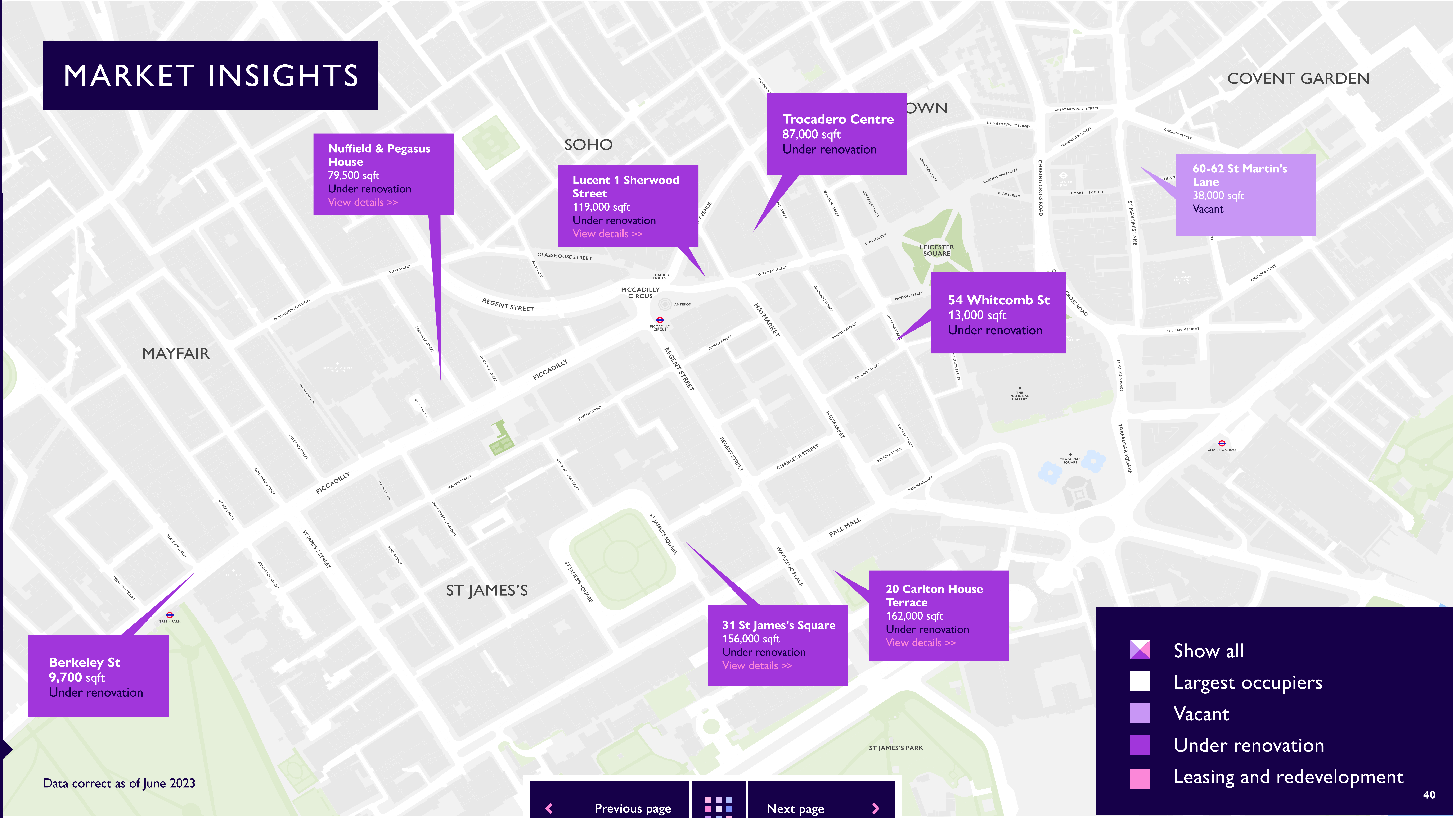
MARKET INSIGHTS



- Show all
- Largest occupiers
- Vacant
- Under renovation
- Leasing and redevelopment

Data correct as of June 2023

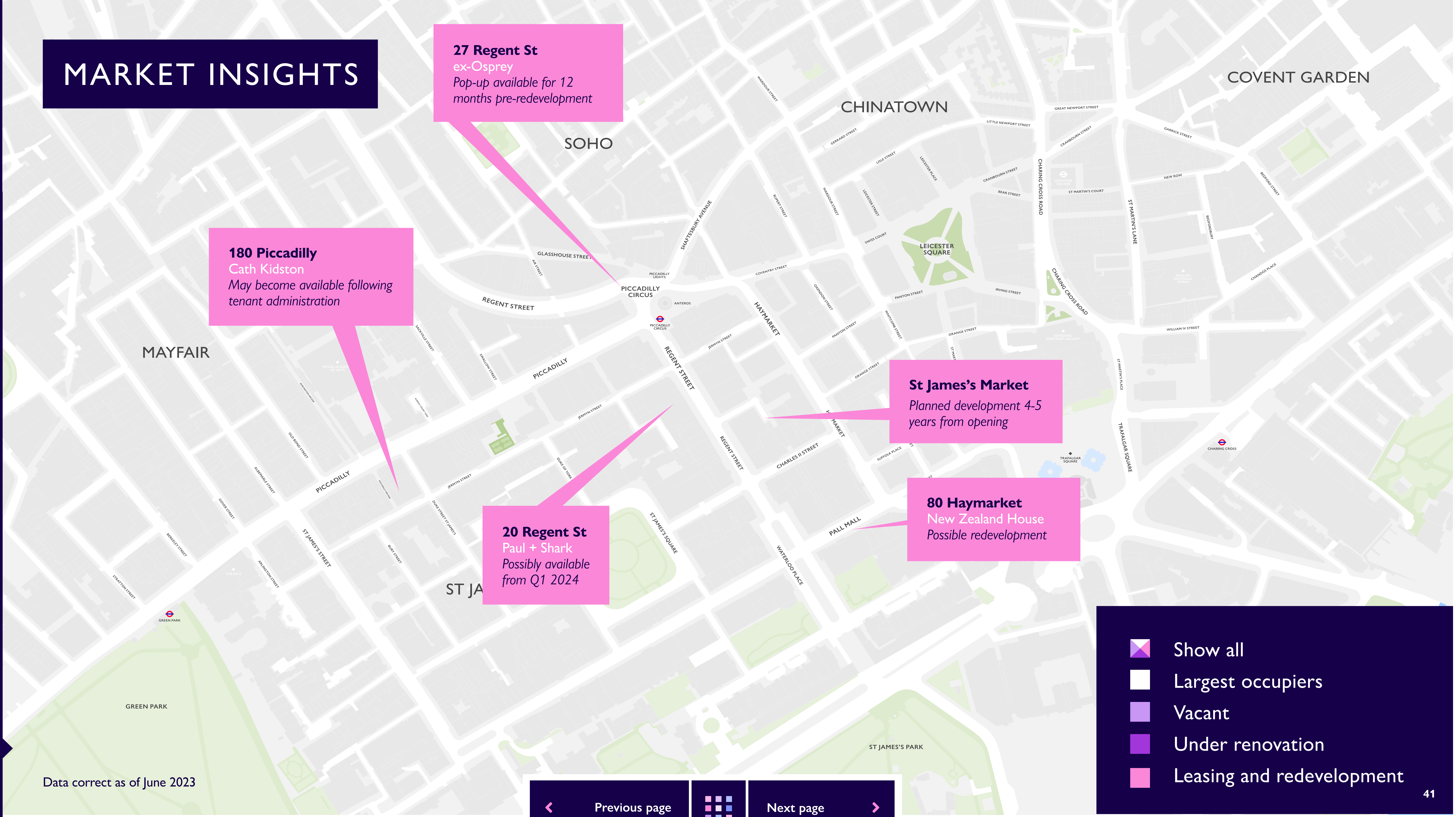
MARKET INSIGHTS



- Show all
- Largest occupiers
- Vacant
- Under renovation
- Leasing and redevelopment

Data correct as of June 2023

MARKET INSIGHTS



27 Regent St
ex-Osprey
Pop-up available for 12 months pre-redevelopment

180 Piccadilly
Cath Kidston
May become available following tenant administration

St James's Market
Planned development 4-5 years from opening

80 Haymarket
New Zealand House
Possible redevelopment

20 Regent St
Paul + Shark
Possibly available from Q1 2024

- Show all
- Largest occupiers
- Vacant
- Under renovation
- Leasing and redevelopment

Data correct as of June 2023

KEY DEVELOPMENTS

31 St James's Square, SW1 (St James's)

Landlord: Sateria Investments
Developer: Sateria Investments
Architect: Make Architects

Building type: Refurbishment
Guiding Rent: £120+
Completion date: Q3 2023

Floor	Sq Ft (Terr.)
7	1,990 (2,469) – LET THOMA Bravo
6	6,120 (710) – LET THOMA Bravo
5	12,000 (295)
4	14,790 – LET Raymond James
3	16,540 - LET Raymond James
2	16,680 – Under Offer
1	14,680
G	13,017
LG	2,800
TOTAL	101,796

Specification:

Brand new office headquarters behind retained façade

Roof terraces

Two entrances, with one on Charles II Street

Car parking

Shower and bike racks

Male and female changing rooms

Designed to a 1:8 occupancy

KEY DEVELOPMENTS

Lucent, W1 (Piccadilly Circus)

Landlord: LandSec
Developer: LandSec
Architect: Fletcher Priest

Building type: New
Guiding Rent: £110
Completion date: Q3 2023

Floor	Sq Ft
6	19,515 – LET Centreview Partners
5	23,885 – LET Eisler
4	25,500 – LET Eisler
3	26,092
2	12,615 – Under offer
TOTAL	107,607

Specification:

Grade A office space throughout

7th floor restaurant

Internal winter garden

1:8 occupancy

4.2m reception ceiling height

2.75m office ceiling heights

207 cycle spaces and 210 lockers

KEY DEVELOPMENTS

20-24 Carlton House Terrace, SW1 (St James's)

Landlord: Clivedale
Developer: Clivedale
Architect: RSHP

Building type: Major refurbishment
Completion date: Q4 2023

Floor	Sq Ft
9	7,000 – LET to BP
8	8,000 – LET to BP
7	11,500 – LET to BP
6	11,500 – LET to BP
5	11,500
4	11,500
3	11,500
2	11,500
1	11,500
G	11,500 – LET to BP
TOTAL	107,000

Specification:

- Grade A office space throughout
- Raised floors
- 4 x 21-person passenger lifts
- 5 generous expansive roof terraces on Levels 6 to 10
- Cycle spaces and lockers together with shower and changing facilities

KEY DEVELOPMENTS

Nuffield & Pegasus House, W1 (St James's)

Landlord: Aviva
Developer: Aviva
Architect: AHMM

Building type:
Major refurbishment
Completion date: Q2 2025

Floor	Sq Ft
5	9,000
4	12,000
3	12,000
2	12,000
1	12,000
G	4,500
LG	6,000
TOTAL	79,500

Specification:

- New façade along Sackville Street and Albany Courtyard to improve appearance
- Dedicated entrance with modern lift provisions
- Complete internal redevelopment with modern M&E
- Provision of cycle facilties for office users
- Replacement of internal floors and walls to create level and continuous access across the office floors