

Heathrow Airport – Property Rents 2024/25 and Associated Matters Decision Document

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Property Rents 2024/25 and Associated Matters

1.0 Introduction

- 1.1. Heathrow consults every year with the Heathrow community on setting levels of rent from 1st April of each year.
- 1.2. The purpose of this consultation document is to set out Heathrow's proposal for the level of property rents for 2024/25 and associated matters.
- 1.3. Heathrow is inviting comments from the Heathrow property customers on the proposal so that these can be considered when we make our final decision.
- 1.4. As a summary please note:
 - 1.4.1. The annual change to Guide Prices is calculated based on the average annual change in the three formula inputs, passenger numbers (PAX), RPI and IPD (MSCI) index.
 - 1.1.1. The decision was made to retain Guide Price Rents at 2019/20 levels effective from 1 April 2020 and not to implement a 1.33% increase.
 - 1.1.2. In April 2021 and 2022 it was decided to hold Guide Prices at 2019/20 levels stopping anticipated formulaic reduction caused by the Covid 19 pandemic's effect on passenger numbers at Heathrow until such time as the formula produced a net increase on the cumulative level of Guide Prices above the 2001 base rate.
 - 1.1.3. In 2023/24 Guide rents achieved a net increase on the cumulative threshold to trigger the first rent review in 4 years.
 - 1.1.4. Within the 2023/24 consultation under Part 3 we confirmed that for the 2024/25 consultation we would revert to applying the traditional annual change in the Guide Price formula, with effect from April 2024/25, in effect replacing the calculation which was used in 2023/24.
- 1.2. A copy of the full 2023/24 decision document is available for download at - [Property Team | Heathrow](#).
- 1.3. The publication of this paper on 2 April 2024 is the start of our consultation on the annual setting of property rents for 2024/25.

2.0 Update on Guide Prices for 2024/25

- 2.1. Heathrow is proposing to increase property rents for 2024/25.
- 2.2. Due to the recovery of passenger numbers in 2023 to over 79 million and the increase of RPI from 360.4 to 379.0, also taking into account a stronger than expected property performance, detailed in the IPD/MSCI index data, the formulaic calculation will result in a 11.77% increase in Guide Prices for 2024/25.
- 2.3. The details are set out in the table below and in Schedule A with all RPI, PAX and IPD/MSCI data. The final published Guide Prices will take effect from 1st April 2024.
- 2.4. The table below provides a summary of the changes in Guide Prices.

Guide Price Change			
Guide price Year	Percentage change applied	T4 CIP Departures Rent £ sq ft per annum	Comment
01/04/2019 - 31/03/2020	1.95%	£86.71	Year on year formula increase
01/04/2020 - 31/03/2021	Nil	£86.71	1.33% year on year uplift not implemented
01/04/2021 - 31/03/2022	Nil	£86.71	-ve Cumulative value vs 2019/20
01/04/2022 - 31/03/2023	Nil	£86.71	-ve Cumulative value vs 2019/20
01/04/2023 - 31/03/2024	4.26%	£90.40	Cumulative increase vs 2019/20
01/04/2024 - 31/03/2025	11.77%	£101.04	Year on year formula increase

- 2.5. Desk license fees were previously reviewed biennially using the Guide Price formula prior to 2023/24. To bring this in line with the rest of the consultation, for simplicity and equity we are including the reviews as part of our annual consultation, however desk rent reviews will occur every two years as previously conducted.

3.0 Requests from AOC in 2023/24

- 3.1. Within the 2023/24 Consultation the AOC requested that Heathrow:
- Share IPD/MSCI Index Data
 - Provide Guide Price Forecasting for future years
 - Add a “rolling reminder of T2 Discount matrix and expected completion dates”
- 3.2. All RPI, PAX and IPD/MSCI data can be found in Appendix 1
- 3.3. The table below shows a forecast illustrating how Guide Price changes may look from 2025 to 2030.
- *Please note that this is a conservative forecast using government RPI data term averages for MSCI/IPD and Heathrow target PAX and is subject to change.*

Year	% Change (Annual change)	Example: T4 CIP Guide Price
2025	2.38%	£103.45
2026	1.70%	£105.21
2027	1.59%	£106.88
2028	1.90%	£108.90
2029	1.89%	£110.96

- 3.4. The details relating to the discount can be found in Section 4.

4.0 Discount applied on Terminal 2 Guide Price Rents

4.1. In 2013 following a consultation, Heathrow decided to provide a discount in the Guide Prices for accommodation in Terminal 2 to reflect a number of infrastructure differences to Terminal 5. The total discount equated to 4% from Terminal 5 prices. These are built up as follows:

Infrastructure not available for opening of Terminal 2	Indicative Date for Delivery	Milestone for removal of discount from Guide Prices	Guide Price discount
1. Completion of through-taxiway and stands 234-235	c. 2016	Completion of through-taxiway between T2 A&B and operational availability of stands 234-235	1%
2. Completion of T2 baggage system	c. 2020+	Commissioning of baggage ring main tunnel connectivity to the T1/T2 baggage system Commencement of departures baggage processing within T2A	2%
3. Track Transit System linking T2A and T2B	c. 2020+	Commencement of TTS operations between T2A and T2B	1%

4.2. Following the completion of the through taxiway between T2A&B and operational availability of stands 234 and 235 in July 2023, Heathrow proposed that the 1% Guide Price reduction was to be removed with effect from 1 April 2023. This is reflected in the proposed Guide Prices in Appendix 6.

4.3. Further background information on how the Terminal 2 Guide Prices were decided are set out in the Terminal 2 Property Rents Decision Document in Appendix 2.

4.4. The completion of the T2 Baggage System and Track Transit System are still ongoing.

5.0 Consultation Programme

- 5.1. Heathrow is inviting comments from Heathrow property customers on the proposals so that these can be considered when we make our final decision.
- 5.2. A consultation meeting will be held on 24 April 2024. The closing date for written consultation responses will be 1 May 2024. Heathrow will then announce the final level of property rents by 10 May 2024.
- 5.3. The publication of this consultation paper in April 2023 is the start of the consultation by Heathrow Property on the annual setting of property rents for 2024/25.
- 5.4. The consultation programme is as follows:

Week	Milestone
w/c 15 April 2024	Heathrow publish consultation document on 2024/25 rental proposals
24 April 2024	Consultation Meeting
1 May 2024	Further consultation if required
8 May 2024	Consultation Responses
w/c 13 May 2024	Publish Outcome

- 5.5. Any party wishing to comment on the proposal must submit responses in writing. Written responses should be sent to: property@heathrow.com
- 5.6. Alternatively, written comments may be posted to the following address:
- Consultation Responses
 Heathrow Property Department
 Heathrow Airport Ltd
 The Compass Centre
 Nelson Road
 Hounslow
 TW6 2GW
- 5.7. If you have any questions on the consultation document, please contact Heathrow Property on the above e-mail address.
- 5.8. Heathrow are pleased to have support from the AOC's Nigel Wicking and Clive Redding. Clive has kindly offered to field any questions the attendees or members of the AOC may have in relation to the Guide Rent Consultation:

Contact Details:
 Clive Redding – 07802 458989 – clivewredding@gmail.com

SCHEDULE A

1.0 Background – Property Rents at Heathrow

- 1.1. Since 1996 Heathrow has had a list of published Guide Prices. The Guide Prices are either a band or spot rent for the majority of standard property products.
- 1.2. Since 1996 the Guide Prices have been adjusted by the percentage change in a rental formula, which is applied annually to the Guide Prices once consulted upon.
- 1.3. Following consultation, the tariff rents were simplified in 2008 and the formula has evolved since it was first introduced.
- 1.4. The components of the current formula, revised in 2002, are as follows:
 - 1.4.1. Passenger Numbers (PAX)
 - 1.4.2. Retail Price Index (RPI)
 - 1.4.3. Investment Property Databank (IPD) now MSCI, Annual Property Index – the average of Central, Outer and West of London Office Indices (see Appendix 1 for the geographical area).
- 1.5. The formula gives equal weighting to each component.
- 1.6. The formula seeks to provide consistent growth, flattening the peaks and troughs associated with the external property market. This can be seen in the attached graph at Appendix 4.
- 1.7. The decision was to retain Guide Price Rents at 2019/20 levels effective from 1 April 2020. Following consultation, Heathrow did not implement the formula generated an increase in Guide Price Rents initially proposed for 2020/21 and held Guide Price rents at 2019/20 levels.
- 1.8. The decision was made to hold Guide Price Rents at 2019/20 levels banking an anticipated formulaic reduction caused largely by the Covid 19 pandemic effect on passenger numbers at the Airport, until such a time, as the formula produces a net increase based on the cumulative level of guide prices (off a 2001 base) above these rates.
- 1.9. Desk license fees were previously reviewed biennially using the Guide Price formula prior to 2023/24. To bring this in line with the rest of the consultation, for simplicity and equity we are including the reviews as part of our annual consultation.
- 1.10. The decision was taken that rents would only increase when the effective threshold was met, from an increase in values, past the 2019/20 figures.

APPENDIX 1 – RPI, IPD/MSCI and Passenger Numbers Database

APPENDIX 1 – RPI, IPD/MSCI and Passenger Numbers Database

Year on Year	Apr-02	Apr-03	Apr-04	Apr-05	Apr-06	Apr-07	Apr-08	Apr-09	Apr-10	Apr-11	Apr-12	Apr-13	Apr-14	Apr-15	Apr-16	Apr-17	Apr-18	Apr-19	Apr-20	Change vs April 2019 COVID-19 Rental Freeze	Apr-21	Apr-22	Apr-23	Reverting to Pre-2019 Method	Apr-24		
Passenger Numbers	0.00%	4.27%	0.30%	6.19%	0.86%	-0.51%	0.76%	-1.39%	-1.50%	-0.24%	5.54%	0.86%	3.36%	1.44%	2.16%	0.96%	3.06%	2.71%	0.98%			-72.67%	-12.29%		217.63%		28.49%
RPI (Dec)	0.00%	2.94%	2.80%	3.49%	2.21%	4.43%	4.05%	0.95%	2.40%	4.77%	4.82%	3.09%	2.67%	1.62%	1.20%	2.49%	4.12%	2.70%	2.21%			1.20%	7.55%		13.44%		5.16%
Average IPD	0.00%	-7.76%	-12.91%	-0.01%	2.01%	6.39%	8.03%	-2.20%	-13.36%	1.48%	2.68%	2.33%	3.42%	7.28%	7.74%	5.20%	1.65%	0.46%	0.80%			-1.28%	0.31%		0.48%		1.66%
Average	0.00%	-0.18%	-3.27%	3.22%	1.69%	3.44%	4.28%	-0.88%	-4.15%	2.00%	4.35%	2.09%	3.15%	3.45%	3.70%	2.88%	2.94%	1.95%	1.33%			-24.25%	-1.48%		77.18%		11.77%
		-0.18%	-3.45%	-0.05%	4.92%	5.13%	9.41%	8.53%	4.37%	6.38%	10.72%	12.81%	15.97%	19.41%	23.11%	26.00%	28.94%	30.89%	32.22%			7.97%	6.49%		83.68%		95.45%
Cumulative	Apr-02	Apr-03	Apr-04	Apr-05	Apr-06	Apr-07	Apr-08	Apr-09	Apr-10	Apr-11	Apr-12	Apr-13	Apr-14	Apr-15	Apr-16	Apr-17	Apr-18	Apr-19	Apr-20			Apr-21	Apr-22		Apr-23		Apr-24
Passenger Numbers	0.00%	4.27%	4.58%	11.05%	12.00%	11.44%	12.28%	10.72%	9.06%	8.80%	14.83%	15.81%	19.69%	21.42%	24.04%	25.23%	29.05%	32.55%	33.85%			-63.41%	-67.91%		1.93%		30.98%
RPI	0.00%	2.94%	5.82%	9.52%	11.94%	16.90%	21.63%	22.78%	25.72%	31.72%	38.06%	42.33%	46.14%	48.50%	50.29%	54.04%	60.38%	64.71%	68.34%			70.36%	83.22%		107.84%		113.00%
Average IPD	0.00%	-7.76%	-19.64%	-19.57%	-17.99%	-12.93%	-5.82%	-8.16%	-20.53%	-19.42%	-17.21%	-15.22%	-12.20%	-5.52%	2.20%	7.87%	9.63%	10.08%	11.02%			9.47%	9.81%		10.33%		11.98%
Average	0.00%	-0.18%	-3.08%	0.33%	1.98%	5.14%	9.36%	8.45%	4.75%	7.03%	11.89%	14.31%	17.88%	21.46%	25.51%	29.04%	33.02%	35.78%	37.73%		5.47%	8.37%	40.03%		51.99%		
	0.00%	-0.18%	-2.89%	3.41%	1.65%	3.15%	4.23%	-0.92%	-3.70%	2.28%	4.86%	2.41%	3.57%	3.59%	4.04%	3.53%	3.98%	2.76%	1.96%		-30.30%	-27.40%	4.26%		11.95%		

Guide Price Year	Data to End December	Passenger Numbers	Retail Price Index (Dec)	Average IPD
2002/03	2001	60,431,930	173.4	201.70
2003/04	2002	63,012,000	178.5	185.83
2004/05	2003	63,200,300	183.5	161.57
2005/06	2004	67,111,300	189.9	161.77
2006/07	2005	67,686,500	194.1	165.03
2007/08	2006	67,342,900	202.7	176.30
2008/09	2007	67,855,000	210.9	191.83
2009/10	2008	66,909,000	212.9	186.17
2010/11	2009	65,907,900	218	160.23
2011/12	2010	65,747,200	228.4	163.03
2012/13	2011	69,391,400	239.4	168.10
2013/14	2012	69,984,868	246.8	172.40
2014/15	2013	72,332,919	253.4	178.90
2015/16	2014	73,374,825	257.5	193.13
2016/17	2015	74,959,048	260.6	209.67
2017/18	2016	75,676,223	267.1	222.09
2018/19	2017	77,988,752	278.1	225.67
2019/20	2018	80,102,014	285.6	226.59
2020/21	2019	80,886,260	291.9	228.63
2021/22	2020	22,109,932	295.4	225.30
2022/23	2021	19,393,145	317.7	226.02
2023/24	2022	61,599,196	360.4	227.10
2024/25	2023	79,151,644	379.0	231.60

APPENDIX 2 – Terminal 2 Property Rents, Decision Document Extract and Completion Certificates

Decision Key Principles:

1. There are some items of infrastructure which will not be available at the opening of T2 but will become available post T2 opening. See Table1.
2. The T2 rents will fall within the Guide Price range between the CTA / T4 and T5 for equivalent space types.
3. The Property rents for a completed Terminal 2 will be aligned to Terminal 5 property rents.
4. Rental discounts to the T2 headline rent Guide Prices to apply for an interim period until defined infrastructure issues are resolved.
5. No discounted rent shall be less than the current CTA/T4 Guide Price for the relevant space type.

Mechanics:

The Property Rental Guide Prices are published annually with effect from 1st April. The published T2 Guide Prices will initially include a discount. This rental discount will be removed from the headline Guide Prices published to be effective 1 April following the achievement of the milestone for resolution of the relevant infrastructure issue (see Table 1).

The rents paid by property customers under their property agreement will change at the next rent review or lease renewal following the change in Guide Price using the published tariff applicable at the relevant review/renewal date. The Guide Prices will generally provide the basis for non-tariff terminal related accommodation types where there is no Heathrow wide common charging.

Desks will remain at Heathrow wide charging levels.

Other charges payable under Property agreements are unaffected by the discounts e.g. heating, maintenance and refuse charges.

The methodology for calculating the T2 Guide Prices annually whilst the Infrastructure discounts remain are as follows:-

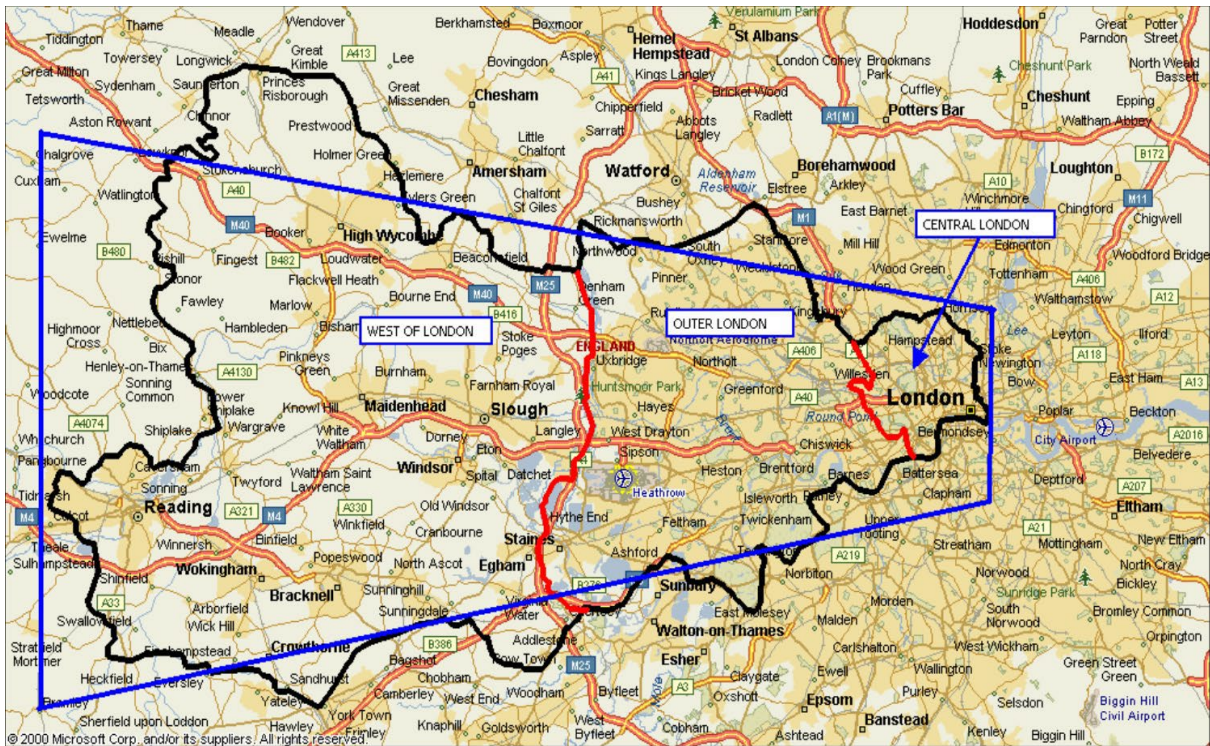
- a) Apply Guide Price indexation to the T2 Headline Guide Price categories WEF 1 April annually, i.e. the Guide Prices for T2 without infrastructure discounts.
- b) Apply the total cumulative % discount to the T2 Headline Guide Price categories according to the number of Infrastructure Issues remaining as at 1 April for that guide price year.

The commercial impacts on Heathrow's range of charges due to the stated infrastructure issues shall only be reflected here. Discounts against other charges for these issues will not be available. If this is found to be the case, double counting shall be addressed by removal of the discount from rents or the appropriate other Heathrow charge.

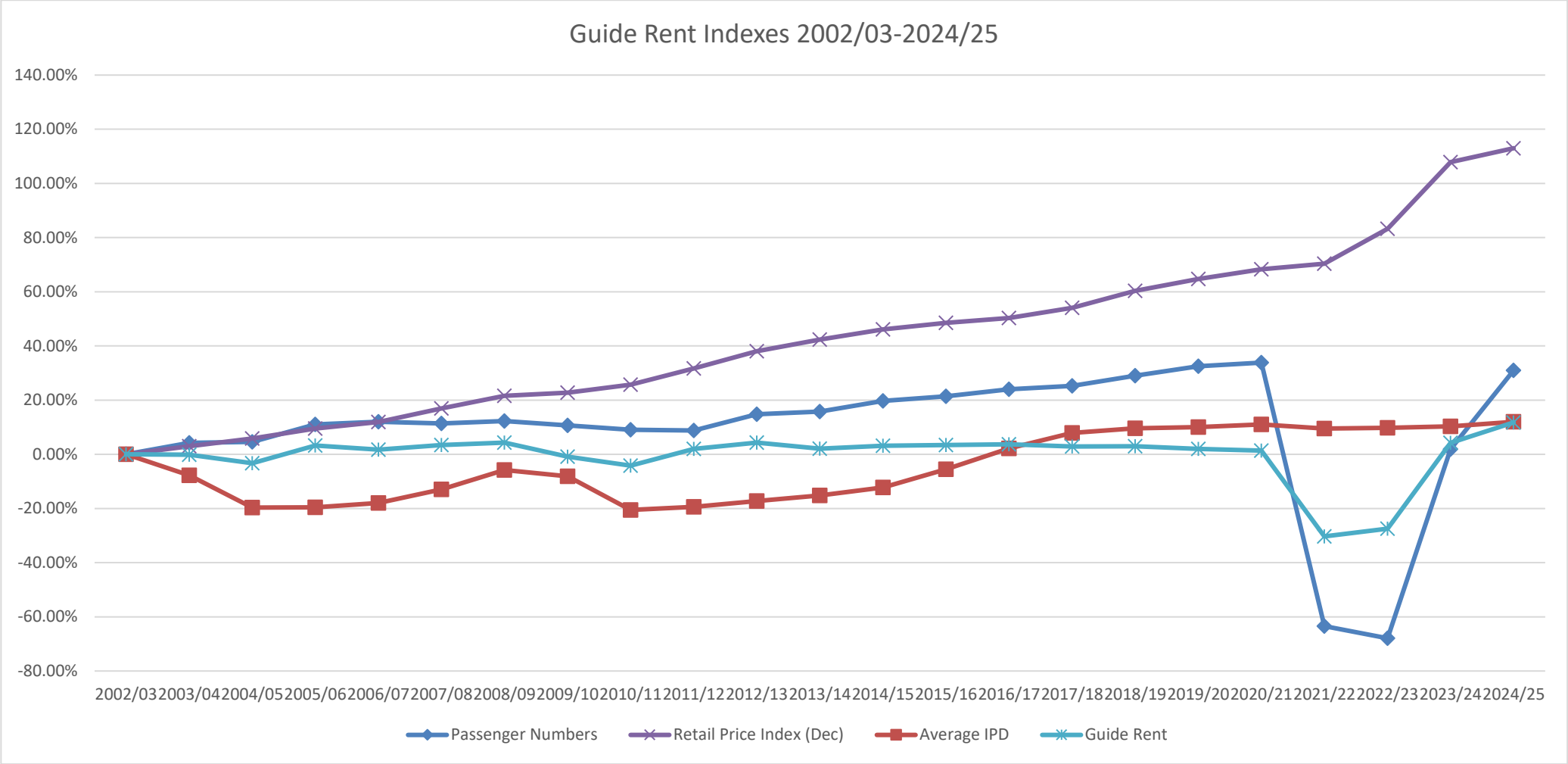
The defined Infrastructure Issues and Milestones for removal of discounts are:-

Infrastructure not available for opening of Terminal 2	Indicative Date for Delivery	Milestone for removal of discount from Guide Prices	Guide Price discount
4. <i>Completion of through taxiway and stands 234-235</i>	<i>Currently 2021/22</i>	<i>Completion of through taxiway between T2 A&B and operational availability of stands 234-235</i>	1%
5. Completion of T2 baggage system	c. 2020+	Commissioning of baggage ring main tunnel connectivity to the T1/T2 baggage system Commencement of departures baggage processing within T2A	2%
6. Track Transit System linking T2A and T2B	c. 2020+	Commencement of TTS operations between T2A and T2B	1%

APPENDIX 3 – MSCI/IPD Index Geographical Areas



APPENDIX 4 – Graph of Historic Changes in the Rental Formula Components



APPENDIX 5 –2023/24 Guide Prices

Heathrow Airport Rental Guide Prices - 2023/24 (Effective 1st April 2023)	2023/24			
	Rent £ sq ft per annum		Rent £ sq M per annum	
	Min	Max	Min	Max
Terminal 1				
Second floor office				
CIP				
Piers - standard ramp	£45.19	£53.51	£486.45	£575.95
Terminal 2				
CIP - T2A		£96.44		£1,038.09
CIP - T2B		£91.63		£986.28
T2A - Landside offices/support accom		£84.54		£909.97
T2A - Airside offices/support accom		£69.51		£748.25
T2A - Airside apron level support accom (Ramp)		£54.50		£586.67
T2B - Apron level support accom (Ramp)		£53.51		£575.95
Terminal 3				
North Wing		£72.31		£778.32
South Wing		£80.33		£864.64
East Wing		£77.74		£836.78
Departures ground floor R/O check-in		£61.47		£661.69
Departures ground floor off back corridor		£54.23		£583.74
Infill Offices		£80.33		£864.64
CIP - Departures		£90.41		£973.11
CIP - Arrivals	£85.85	£90.41	£924.11	£973.11
Piers - standard ramp	£45.19	£53.51	£486.45	£575.95
Building 820				
First and Second Floor		£64.30		£692.15
Ground Floor		£67.79		£729.68
Bays		£42.15		£453.68
D'Albiac House				
Bays		£37.94		£408.36
Offices (Outer offices)		£58.22		£626.69
Offices (Inner offices)		£56.59		£609.13
Terminal 4				
NE Extension, Balcony		£80.33		£864.64
Departures rear of check in		£61.47		£661.69
Mezzanine airside		£57.87		£622.86
Standard ramp	£45.19	£53.51	£486.45	£575.95
CIP		£90.41		£973.11
Terminal 5				
CIP - T5A		£99.42		£1,070.19
CIP - T5B/C		£94.46		£1,016.79
T5A - Landside offices/support accom		£87.15		£938.12
T5A - Airside offices/support accom		£71.66		£771.39
T5A - Airside apron level support accom (Ramp)		£56.19		£604.82
T5B/C - Airside offices/support accom		£68.26		£734.73
T5B/C - Apron level support accom (Ramp)		£54.85		£590.38
Desk Frontage Rates - All Terminals				
Check-In		£629.55		£6,776.40
Sales and Reservation		£1,303.45		£14,030.25
Transfer		£629.55		£6,776.40
Information		£966.52		£10,403.50

APPENDIX 6 – Draft Guide Prices 2024/25

Heathrow Airport Rental Guide Prices - 2024/25 (Effective 1st April 2024)	2024/25			
	Rent £ sq ft per annum		Rent £ sq M per annum	
	Min	Max	Min	Max
Terminal 1				
Second floor office				
CIP				
Piers - standard ramp	£50.51	£59.81	£543.71	£643.74
Terminal 2				
CIP - T2A		£107.79		£1,160.28
CIP - T2B		£102.41		£1,102.37
T2A - Landside offices/support accom		£94.49		£1,017.08
T2A - Airside offices/support accom		£77.70		£836.32
T2A - Airside apron level support accom (Ramp)		£60.92		£655.73
T2B - Apron level support accom (Ramp)		£59.81		£643.74
Terminal 3				
North Wing		£80.82		£869.93
South Wing		£89.78		£966.41
East Wing		£86.89		£935.28
Departures ground floor R/O check-in		£68.71		£739.57
Departures ground floor off back corridor		£60.61		£652.45
Infill Offices		£89.78		£966.41
CIP - Departures		£101.05		£1,087.65
CIP - Arrivals	£95.96	£101.05	£1,032.89	£1,087.65
Piers - standard ramp	£50.51	£59.81	£543.71	£643.74
Building 820				
First and Second Floor		£71.87		£773.62
Ground Floor		£75.77		£815.56
Bays		£47.11		£507.09
D'Albiac House				
Bays		£42.40		£456.43
Offices (Outer offices)		£65.07		£700.46
Offices (Inner offices)		£63.25		£680.83
Terminal 4				
NE Extension, Balcony		£89.78		£966.41
Departures rear of check in		£68.71		£739.57
Mezzanine airside		£64.68		£696.17
Standard ramp	£50.51	£59.81	£543.71	£643.74
CIP		£101.05		£1,087.65
Terminal 5				
CIP - T5A		£111.13		£1,196.16
CIP - T5B/C		£105.58		£1,136.46
T5A - Landside offices/support accom		£97.41		£1,048.54
T5A - Airside offices/support accom		£80.10		£862.19
T5A - Airside apron level support accom (Ramp)		£62.80		£676.01
T5B/C - Airside offices/support accom		£76.29		£821.21
T5B/C - Apron level support accom (Ramp)		£61.30		£659.87
Desk Frontage Rates - All Terminals				
Check-In		£703.65		£7,574.02
Sales and Reservation		£1,456.88		£15,681.67
Transfer		£703.65		£7,574.02
Information		£1,080.28		£11,628.04