Places for London
Quarterly Performance Report
FY24 Periods 1-4

Places for London officially completed on its biggest development to date at Blackhorse View alongside its partner Barratt Homes. All 350 units (50 per cent affordable) are sold and occupied.

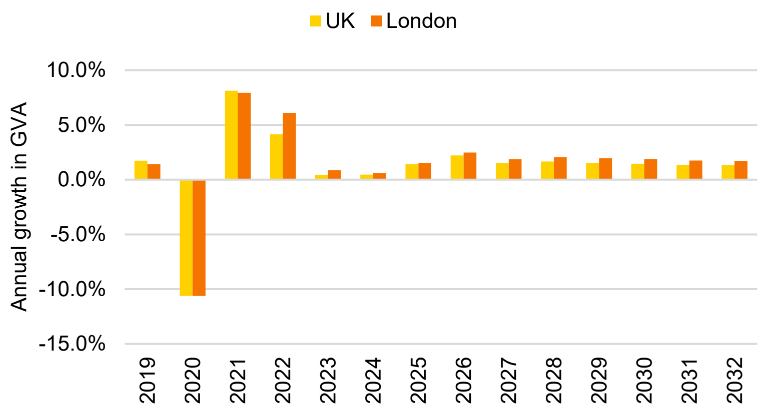
Pedivan in Hoxton Arches were awarded an Arch Day award in 2023

Market Context

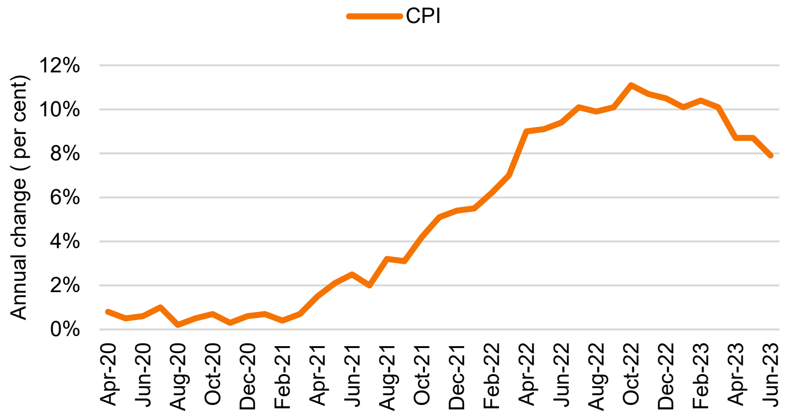
Graeme Craig
Director & Chief Executive

Inflation has started to fall, but expectations of further interest rate rises remain

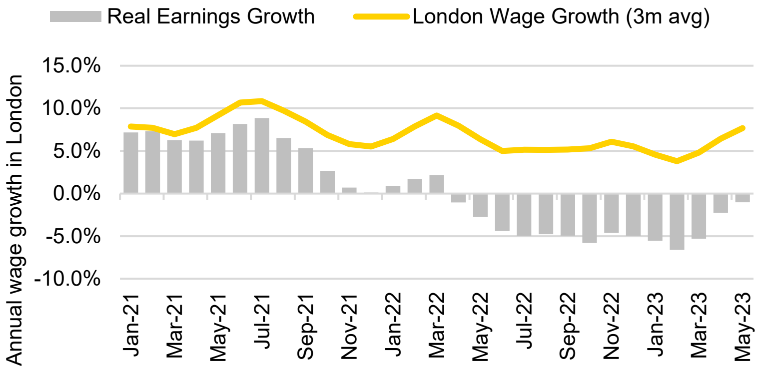
London's gross value added (GVA) is forecast to rise by 0.9 per cent in 2023, 40bps stronger than the UK



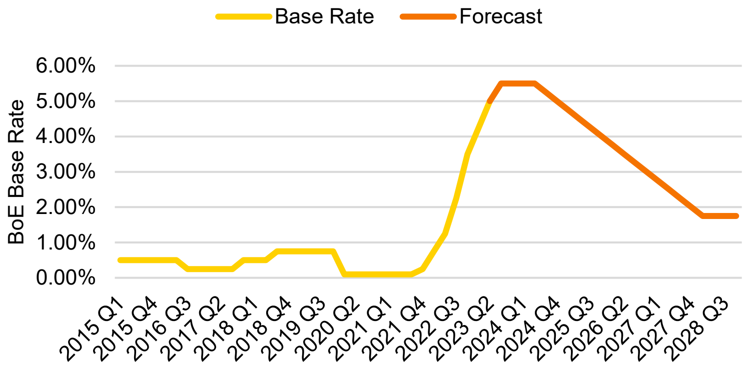
Inflation continues to fall and was 7.9 per cent in June, a larger fall than economists had expected



London nominal wages continue to rise at 7.7 per cent, but high inflation is driving real terms wage falls



Base rates have risen to 5 per cent, but forecasts expect rates to slow and decrease into 2024 and beyond

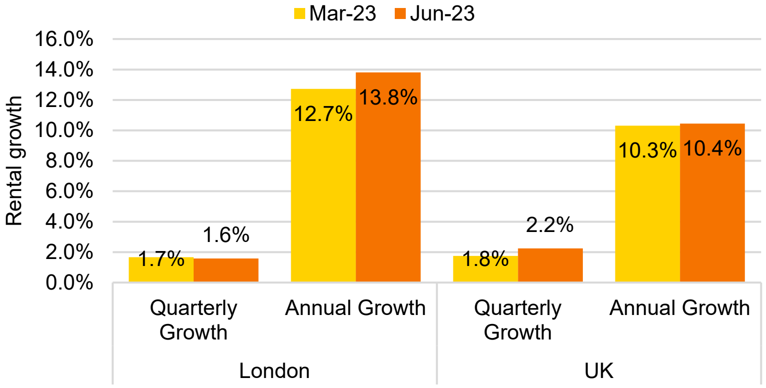


1 Market Context

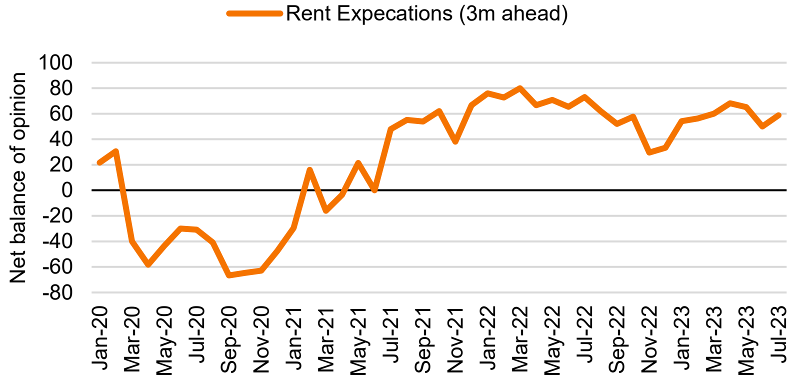
- The UK's gross domestic product (GDP) rose by 0.2 per cent in Q2 2023, beating expectations. While inflation continued to fall (down to 6.8 per cent in June), core inflation remained strong (6.9 per cent).
- These were factors that led to the Bank of England raising the base rate for the 14th consecutive meeting to 5.25 per cent. Oxford Economics forecast that rates will rise again in September to 5.5 per cent, where it will then remain until late 2024.
- This has had a knock-on effect on the cost of mortgage debt, with a 2-year fixed 75 per cent LTV mortgage now over 6.25 per cent. Furthermore, when banks are stress testing affordability for customers this is now closer to 10 per cent interest rates, acting as a significant break on buyer demand.
- Nominal wage growth in London remains strong, rising by 7.7 per cent over the 12 months to June 23. The strong growth has softened some of the impact of rising costs, although real wage growth remains negative. The strong wage growth is expected to continue in the near term, but it is something the Bank of England is concerned about driving further inflation.

The residential rental market continues to perform strongly, while the sales market is impacted by cost of mortgage debt

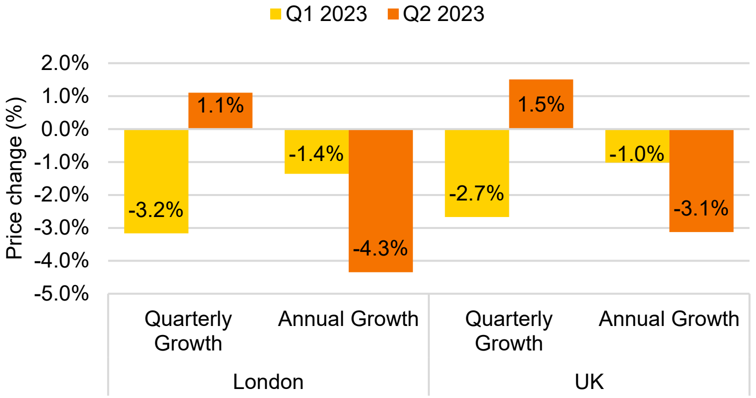
Rents in London have risen by 1.6 per cent over the 3 months to June 23, down slightly from the 1.7 per cent in 3 months to March



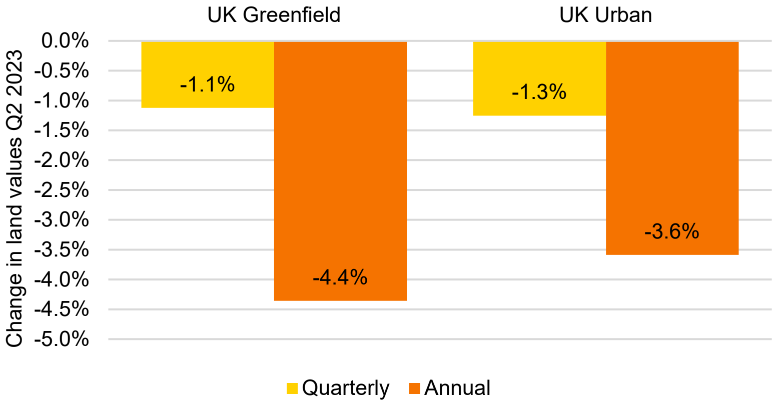
Agents report continued supply / demand imbalance – strengthening expectations of continued rental growth in the near term



House prices rose by 1.1 per cent during Q2 2023 across London



Development land value fell further in Q2 2023

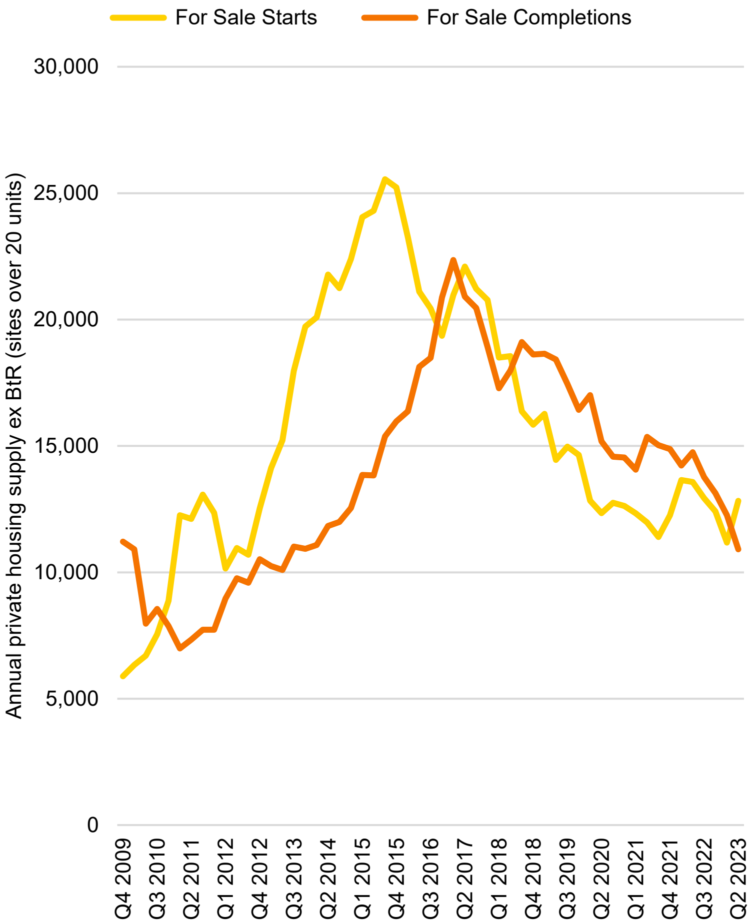


1 Market Context

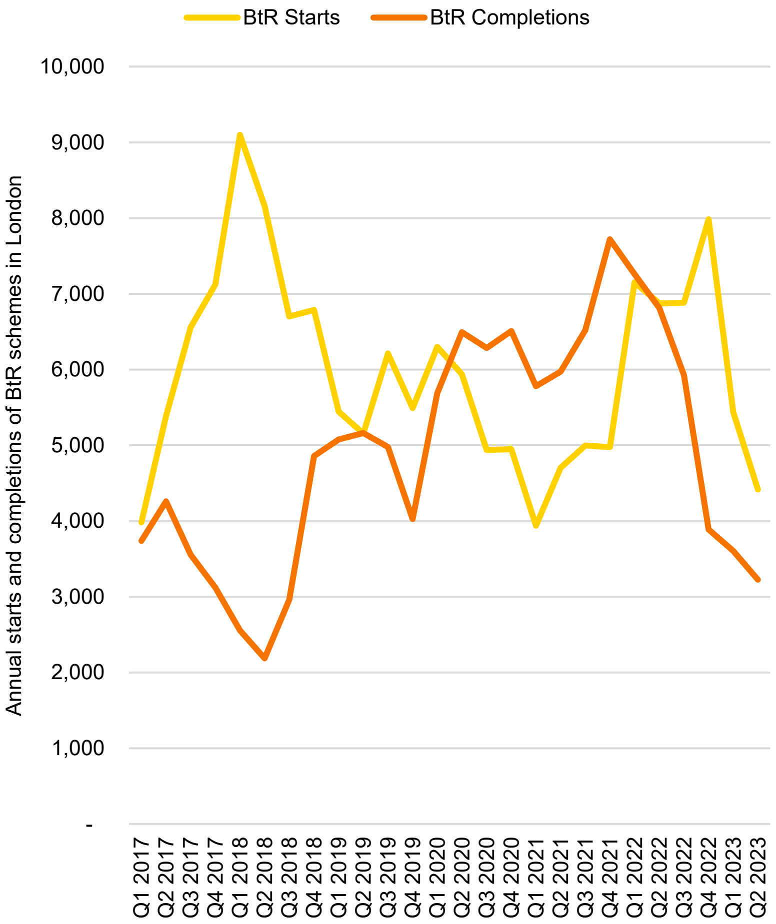
- Rental growth in London remains strong – rising 1.6 per cent over Q2 alone, with annual growth to June 23 of 13.8 per cent. Rental growth has accelerated in recent months, as the availability of stock remains low and demand high. This is feeding through to the Royal Institution of Chartered Surveyors (RICS) survey, which continues to report a significant mismatch between supply and demand. This is leading to the majority of agents in July 2023 (+59 per cent) reporting that they expect continued rental growth over the next 3 months.
- The continued strong income growth being achieved in London is providing support for some of this rental growth, but we expect that over the medium term affordability will start to slow the rate of growth.
- London house prices record slight price growth in Q2 2023, up 1.1 per cent, although they remain -4.3 per cent below their level a year ago. The high cost of mortgage debt and the already stretched affordability have weighed on buyer demand. It is likely that further rises in interest rates will have a bigger impact in London than other parts of the country and further limit the pool of potential buyers.
- Weaker demand is also impacting the land market, where values continue to cool as less developers are in the market for land in the near term.

New residential construction starts slow as viability remains challenging and buyer demand is subdued

New construction starts on private for sale schemes in London rose slightly in Q2 2023, with 3,900 units commencing construction



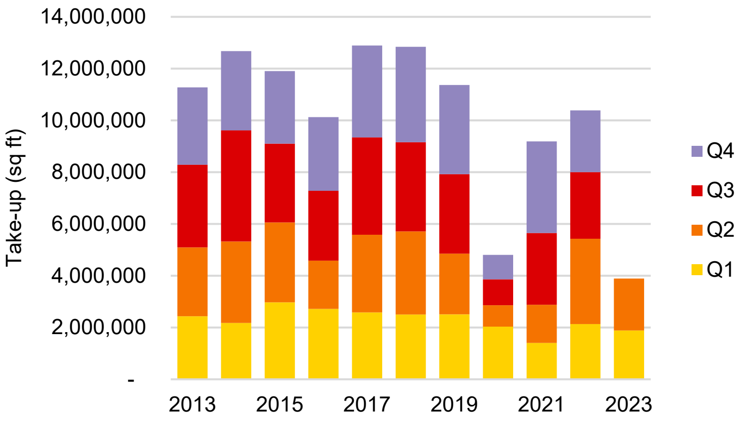
Build to Rent starts were at their lowest level on record in Q2 2023, with only 240 units beginning construction



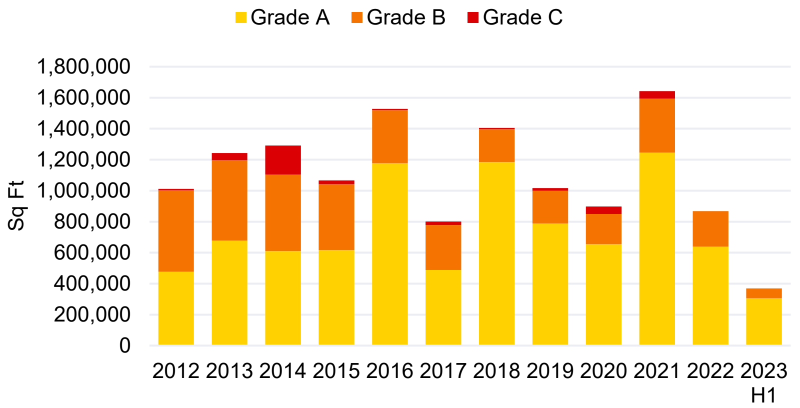
- New construction has been significantly impacted by the wider economic challenges – in particular the rising cost of debt for both developers and for buyers.
- Furthermore, there has been very strong growth in build costs over the past 12 months – in particular for materials, which rose by 11 per cent during 2022.
- In addition, the sector is facing further challenges around changing fire safety regulation – specifically the introduction of second staircase requirement for buildings over 18 metres.
- As a result of these challenges, we have seen a dramatic fall in new construction starts, which are close to their lowest level on record for Build to Rent and remain low for Build to Sell development.
- It is expected that new construction starts will remain subdued in the short term, while the uncertainty around cost of debt and buyer demand is still a factor.

Office and light industrial leasing markets remain constrained as occupiers are hesitant

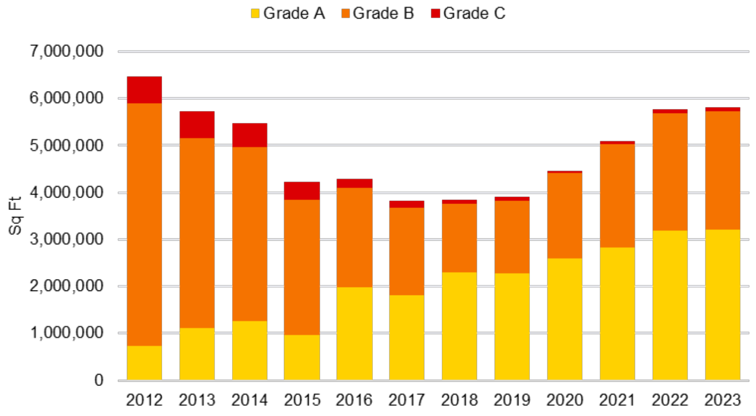
2m sq ft of space was leased in Central London in Q2 2023 – 17 per cent below the long run average



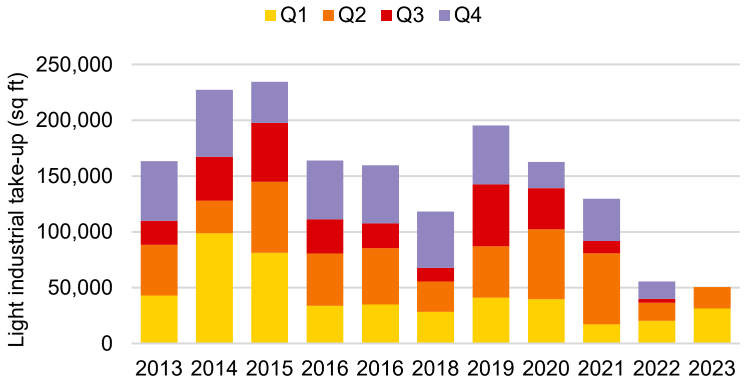
Take-up in Greater London was 127k in Q2 2023 – 70 per cent of which was for Grade A space



Supply across Greater London rose by c.97k sq ft between May and August



19k sq ft of light industrial space was let during Q2 2023 taking H1 up to 51k sq ft, close to the 2022 total

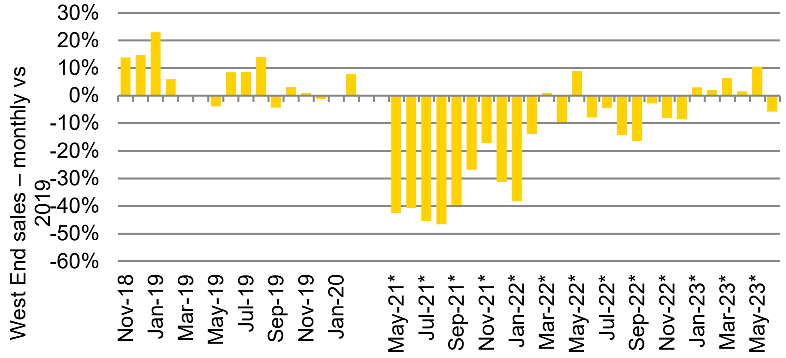


1 Market Context

- Office take-up remains subdued in London compared with the long run average. This is true for both Central London and Greater London, as tenants take their time to decide on their next moves.
- However, one key trend we are seeing is that tenants who have been taking space have been looking for high quality Grade A and energy efficient space. In Greater London 70 per cent of the take up in Q2 was for Grade A. This is a trend that we expect to continue as companies look to meet their ESG targets and reduce their environmental impact.
- Office supply across Greater London rose slightly between May and August, with 55 per cent of new supply being Grade A. A key challenge is what can be done to older Grade B and C stock that is likely to be in less demand. We expect some will be redeveloped / refurbished into better quality stock, where costs are viable. But other will need to look for alternative uses.
- Take-up of light industrial space reached 51k sq ft in H1 2023, which is nearly at the same level as the whole of 2022 (55k sq ft), but well below previous years. Tenants are likely similarly constrained by rising costs and challenges in securing financing.

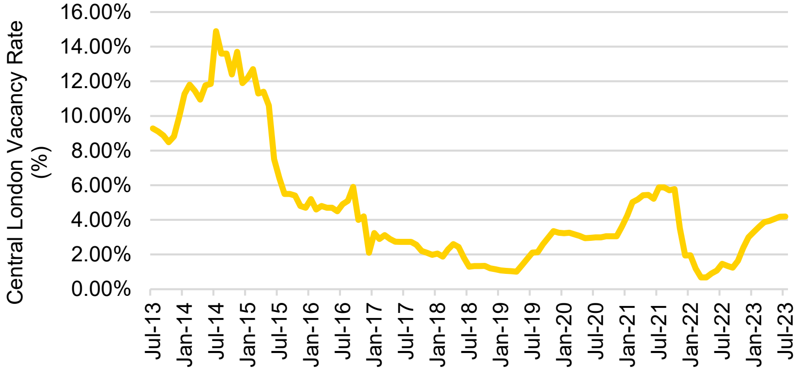
Rising retail spending has mainly been driven by international tourists, as domestic shoppers are impacted by rising costs

Sales in the West End had been recovering but fell back in June 2023

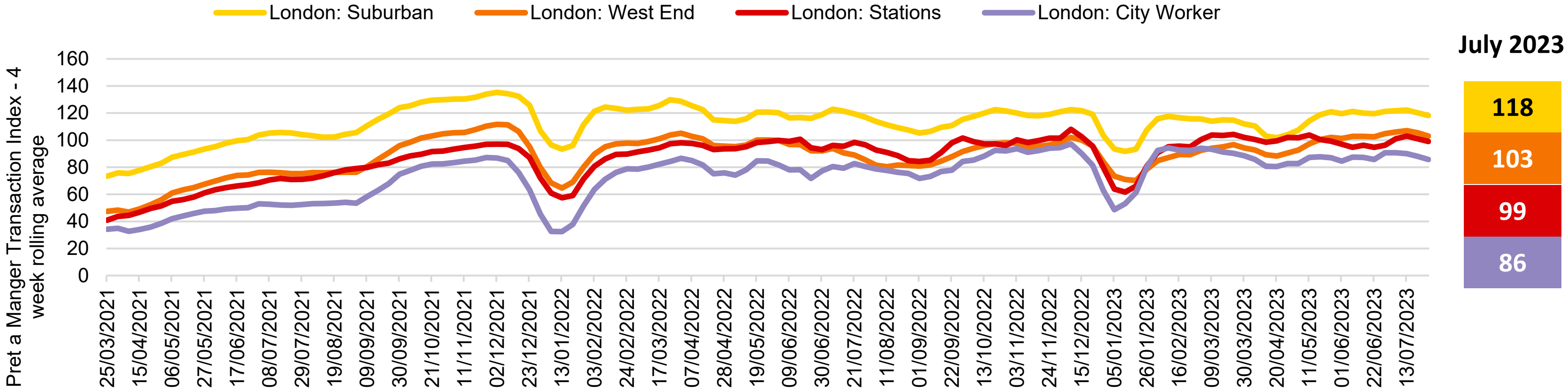


*Note, post 2021 figures are relative to the same period in 2019

Central London vacancy has continued to rise to 4.2 per cent, returning to similar levels to 2020



Only the City Worker Pret Sales Index has yet to recover to pre-pandemic levels



The Pret Index is calculated against a baseline of January 2020 (pre-Covid). When the figure is above 100 it implies that sales are above their pre-Covid level and when below 100 they are below pre-Covid levels.

1 Market Context

- Consumer spend across the West End has fallen back slightly in June 2023. The main driver behind the recovery in spending has been international tourists, as domestic spend has fallen as a result of rising cost of living. International travel to London is expected to continue to recover through the year, which is likely to support consumer spending.
- The vacancy rate across central London continued to rise slightly during H1 2023 – reaching 4.2 per cent in July 2023 compared with 3.0 per cent in December 2022. A range of factors are deterring expansion and investment in new stores by retailers, including heightened costs (business rates, utilities and staffing) as well as challenges secure finance for smaller operators.
- The latest Pret Index continues to show strong level of sales in suburban locations – indicating that a degree of workplace flexibility remains in place. While the West End has seen sales volumes recover to pre-pandemic levels. In contrast the City has yet to return to this level, which indicates the less diversified consumer base there has seen a greater impact from the shifting working patterns than the West End.

Community site tour at Montford Place, with the initial dig covered in plastic sheeting to prevent dust issues

Health and Safety Performance

Lisa-Jane Risk

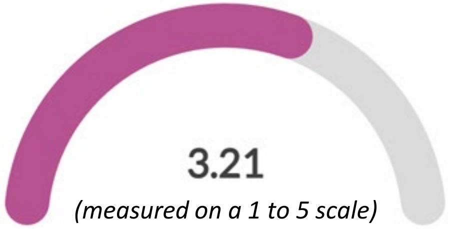
Head of Operations

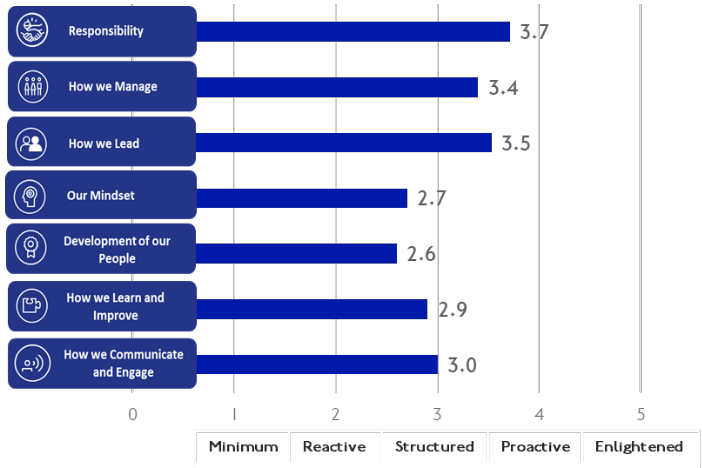
We are developing our long-term Health & Safety strategy

H&S Scorecard (P4)

Metric	23/24 YTD Actual
Killed or Seriously Injured (KSI)	0
Tenant managed estate: Planned v Completed compliance inspections	101.7 per cent
All injuries	4

SHE Culture Maturity Assessment





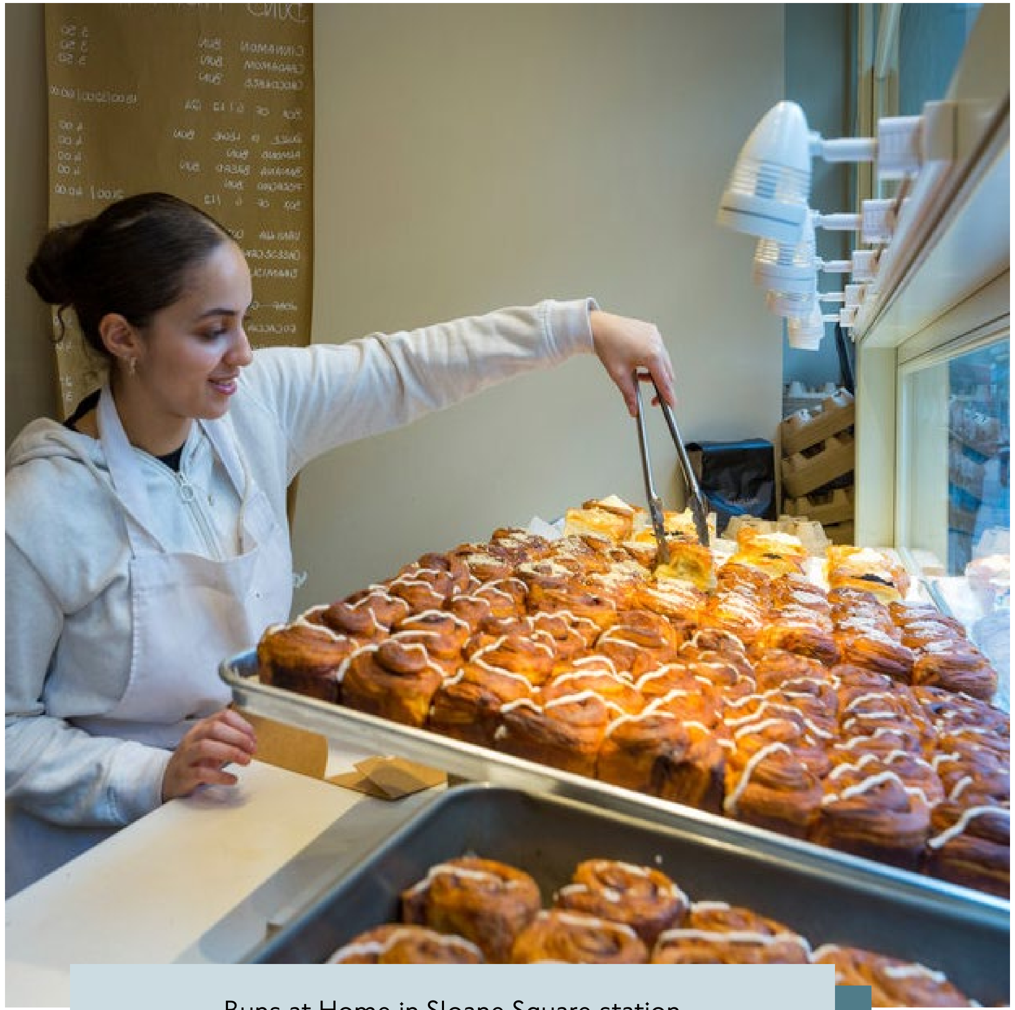
Health & Safety

- Our work to develop the long-term Places for London Health & Safety strategy continues at pace.
- Health & Safety Improvement Plans defined across the organisation focus on 6 key workstreams – **Incident reporting, Roles & responsibilities, SHE culture, H&S strategy, Resources and Governance & assurance**.
- The TfL SHE team has conducted an analysis to ensure sufficient resources are available to provide bespoke health, safety and environmental advice and to support and challenge across our Places business.

Compliance

- We continue to deliver our risk-based approach towards managing tenant compliance, with the frequency of inspection determined by the risk level presented by the tenant and our findings from previous visits. At the end of Period 4 we had completed 369 evidenced audit inspection against our plan of 363.
- We are also looking to extend our compliance and assurance activity across other aspects of our business including assurance of the activities of our suppliers and service partners.

- **We are working closely with the TfL Safety, Health and Environment (SHE) team to develop Places for London's long-term Health and Safety (H&S) strategy and improve the SHE Culture in the organisation.**
- Places for London was the first part of TfL to do the SHE Cultural Maturity Assessment survey, which has been developed by the TfL Safety, Health and Environment team.
- The survey was open to all colleagues and attracted a **70 per cent completion rate**.
- Our SHE Cultural Maturity was assessed to be **Level 3 (Structured) on the 1-5 scale** developed based on industry best practice.
- Highest scoring areas were **How we Lead** and **SHE Responsibility**. Opportunity areas include **Development of our People** and **Our Mindset**.
- We are now holding workshops with colleagues to identify appropriate improvement actions which will deliver continuous and lasting improvement to the SHE Culture within Places.



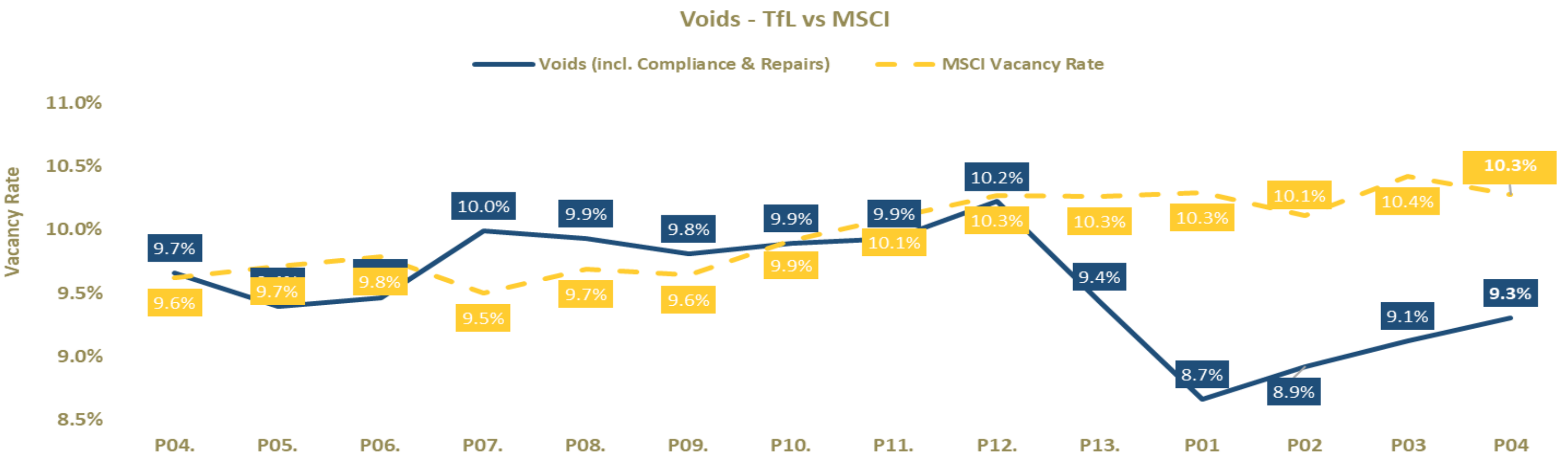
Buns at Home in Sloane Square station

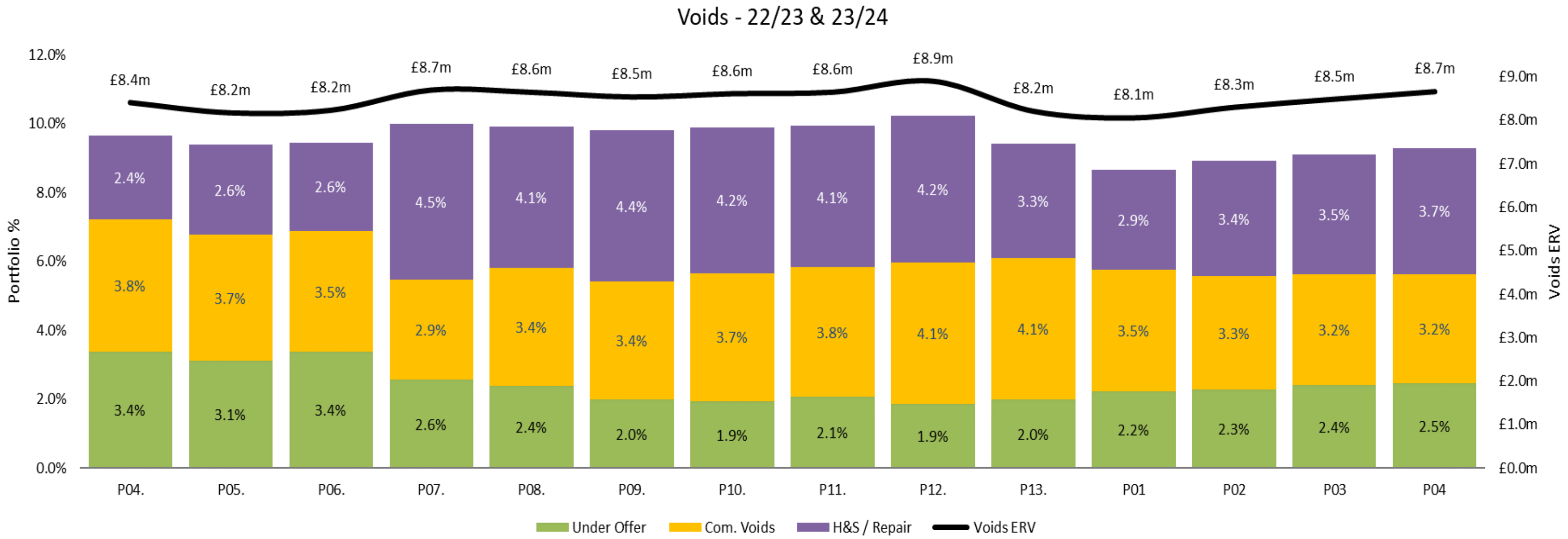
Operational Performance

Daniel Lovatt

Director of Asset Management

Year-on-Year void rate improved from 9.7 per cent to 9.3 per cent





4 Operational Performance

- Our commercial void rate is 9.3 per cent which compares favourably to the MSCI market benchmark. This includes premises being prepared for market, on the market and under offer.
- A steady increase of voids going Under Offer indicates that whilst the market is challenging our locations continue to attract interest.
- There is interest in marketed units, but with increased requests for capital contributions to tenant fit-out and for flexible lease terms. We continue to stress test the business plans of prospective tenants.
- Places for London is continuing to review opportunities for various uses across the portfolio to improve occupancy, mitigate rates and reduce holding costs.

MSCI Comparison: Measures vacant premises ready to relet against market average.

Shepherd's Bush Arches is home to United City Motors

Financial Performance

Joanna Hawkes

Interim Chief Finance Officer

Operating Account at Period 4

Income Statement	Year To Date		Full Year
(£m)	Actuals	var to Budget	Budget
Core Trading			
Retail	12.4	1.4	38.0
Arches	3.4	0.0	11.3
Offices	1.1	0.3	3.0
Residential	0.4	0.1	1.3
Car Parks	5.7	0.6	16.9
Industrial	0.4	0.4	-
Bus Garages	2.3	2.3	-
Infrastructure	1.9	(1.0)	9.4
Contract revenue & central income	0.1	(0.4)	3.1
JV Dividends - Build to Rent	-	-	-
Gross Property Income	**27.8**	**3.9**	**82.9**
Direct Property Costs	2.9	9.4	(19.8)
Net Property Income	**30.7**	**13.3**	**63.0**
Margin (%)	**110%**		**76%**
Central Operating Costs	(11.4)	2.0	(44.2)
Core Trading Surplus	**19.3**	**15.3**	**18.9**
Project Income (inc JV Dividends - Build to Sell)	3.1	2.1	2.3
Project Costs	(2.0)	(0.8)	(6.0)
Net Operating Surplus	**20.4**	**16.6**	**15.2**
Margin (%)	**66%**		**18%**

- Year to date Net Operating Surplus continues to be strong, outperforming budget by £16.6m.
- Property income of £27.8m is £3.9m higher than budget. Retail strong performance is driven by back-dated and turnover rent on a number of properties. Car Park outperformance is due to some site closures for development being delayed. Bus Garages performance relates to back-dated rent and utilities charges.
- Direct Property costs are £9.4m lower than budget driven by the release of bad debt provision due to the settlement of a long-running dispute with a tenant, resulting in them paying their overdue invoices going back 3 years.
- Central Operating Costs are £2m lower than budget due to timing delays in recruitment and consultancy support activity.
- Project Income is higher than budget due to the receipt of an unbudgeted joint venture dividend of £2.4m from Liberty / Landmark Court.
- Project Costs are higher than budget due to unbudgeted payments in relation to Seven Sisters Market plus increased feasibility work to ascertain project viability.

Capital Account at Period 4

Capital Account	Period 4		Year To Date		Full Year
(£m)	Actuals	*var to Budget*	Actuals	var to Budget	Budget
Income					
Asset Disposals	-	(5.7)	3.3	(2.4)	39.4
Build to Rent	-	-	-	-	2.4
Residential	-	(0.3)	-	(0.3)	16.9
Commercial	-	(0.0)	3.6	2.5	1.1
Other	1.0	1.0	1.0	1.0	0.3
Total Capital Income	**1.0**	**(5.1)**	**7.8**	**0.7**	**60.1**
Expenditure					
Asset Investment	(1.3)	2.6	(5.4)	6.6	(34.1)
Asset Disposal costs	(0.0)	0.0	(0.1)	0.2	(5.9)
Build to Rent	(0.1)	6.4	(1.4)	10.9	(45.4)
Residential	(1.8)	5.0	(2.4)	10.7	(37.1)
Commercial	(0.5)	0.4	(24.0)	(20.0)	(12.3)
Other	0.0	0.3	(0.3)	0.5	(4.3)
Total Expenditure	**(3.7)**	**14.7**	**(33.4)**	**8.9**	**(139.2)**
Net Capital					
Asset Investment	(1.3)	2.6	(5.4)	6.6	(34.1)
Asset Disposals	(0.0)	(5.7)	3.2	(2.3)	33.5
Build to Rent	(0.1)	6.4	(1.4)	10.9	(43.0)
Residential	(1.8)	4.7	(2.4)	10.3	(20.2)
Commercial	(0.5)	0.4	(20.4)	(17.5)	(11.2)
Other	1.0	1.3	0.7	1.5	(4.1)
Total Net Capital	**(2.7)**	**9.6**	**(25.6)**	**9.6**	**(79.1)**

3 Financial Performance

- Year to date Net Capital of £(25.6)m is £9.6m lower than budget.
- Asset Investment focuses on improvement to the existing estate. This is underspent pending property conditional surveys outcomes to guide work programmes throughout the year.
- Asset Disposals are running behind budget due to current market conditions and a number of sites have now been removed or deferred into later years. This is not expected to have a material impact on Places for London's liquidity.
- Costs for Build to Rent development, Bollo Lane (£3.2m) and Earls Court (£7.5m) have been reprofiled to future periods.
- Commercial activity includes a land swap to facilitate development for Southwark over station development. This was assumed to occur towards the end of last year. This includes £3.6m of income and £22m of expenditure as part of the exchange.

Places for London is making progress towards its targets on collections and arrears

Arrears

Target
5 per cent
FY24

Actual
12.7 per cent

Collections

Quarterly Target
>95 per cent
of sums demanded

June Quarter Recovered
80.1 per cent

March Quarter Recovered
92.6 per cent

- At Period, 4 our total Places for London arrears were £7.7m. This includes £0.82m which is currently on a payment plan.
- Debt includes circa £1m owed by a single account and £1.5m which was billed in relation to historic utilities costs. Excluding these cases, which we are focused on resolving as soon as possible, we have arrears of £5.1m (which is circa 8.4 per cent against a target of 5 per cent by year end).
- Our June quarter collections were 80.1 per cent of rent collected (£11.5m demanded), increasing to 88 per cent excluding the single account. Notably 4 out of the 8 sectors have achieved 90+ per cent recovered.
- March quarter is also indicating strong performance, currently at 92.6 per cent (97.8 per cent excluding the utilities debt).

Started building 454 homes at Wembley Park, including 40 per cent affordable homes, alongside Barratt Homes

New Homes Updates

Lester Hampson

Director of Property Development

Places for London has 3,366 homes currently under construction

4,182 homes completed or under construction

Upcoming 23/24 milestones:

- Sep-23 Woodside Park practical completion (86 homes)
- Nov-23 Limmo procurement launch (1,300 homes)
- Jan-24 Kidbrooke – practical completion of Block B (343 homes) and Energy Centre

5 New Homes Updates

- 816 homes have completed on site to date, with a further 442 homes anticipated this year at Woodside Park, Kidbrooke (Phase 1), and small sites Aylesbury Street and Albany Road.
- 3,366 homes are currently under construction. As well as the locations pictured, work is also underway at Bollo Lane (Phases 1&2 - 664 homes) and Barking London Road (196 homes).
- Barkingside Builders Yard is due to start on site next month (98 homes).
- Places for London is actively managing a number of risks to our programme, including the impact of new fire safety regulations for buildings over 18m. Impacted projects are either being paused for further clarity or, where viability permits, redesigned .

In-Station have collaborated with Art on the Underground to install a sound exhibition at Finsbury Park station

Understanding our impact

Mark Farrow

Director of Strategy and Planning

Our performance in Periods 1-4

2023/24 TTLP Scorecard - Period 04

	Measure	YTD Actual	YTD Target	YTD Floor Target	Full Year Forecast	Full Year Target	Full Year Floor Target	Weighting	YE Prediction
Safety & Risk	Inspections Completed vs Planned	101.7%	95%	90%	101.7%	95%	90%	10%	10%
	Killed or Seriously Injured (KSI)	0	0	0	0	0	0	10%	10%
Colleague	Total Engagement	-	-	-		64%	61%	10%	10%
	All Staff Representativeness								
	Gender	47.8%	45.3%	45.0%	47.8%	45.3%	45.0%	1.25%	1.25%
	Ethnicity (BAME)	27.7%	27.9%	25.1%	27.7%	27.9%	25.1%	1.25%	1.23%
	Disability	7.2%	9.4%	8.9%	7.2%	9.4%	8.9%	1.25%	0.00%
	Minority Faith / Belief (not Christian, Agnostic or Atheist)	13.7%	15.8%	13.8%	13.7%	15.8%	13.8%	1.25%	0.00%
Homes	% Affordable Start on Sites	47%	47%	47%	47%	47%	47%	10%	10%
	Start on Sites (Cumulative)	4,182	4,164	4,164	4,339	4,407	4,314	10%	3%
	Housing Completions (Cumulative)	816			1,258	1,258	915	N/A	N/A
ESG	Complete carbon literacy training (Band 4 and above)	16%	30%	23%	100%	100%	75%	5%	5%
	Customer Satisfaction Survey	-	-	-	-	70%	65%	5%	5%
	Achieve ESG Milestones	5/5 On Track	5/5	3/5	5/5	5/5	3/5	5%	5%
	Complete EPCs by Mar 24	82%	100%	100%	100%	100%	100%	1.00%	1.00%
	Attain GRESB 5* Rating	-	-	-	31/03/2024	31/03/2024	31/03/2024	1.00%	1.00%
	Publication of BBP compliant NZC roadmap	-		-	31/12/2023	31/12/2023	31/12/2023	1.00%	1.00%
	TCFD Report	*Achieved*			Achieved	30/08/2023	30/08/2023	1.00%	1.00%
	EV Hubs Tender Sent Out	-	-	-	30/09/2023	30/09/2023	30/09/2023	1.00%	1.00%
Finance	Total Revenue	£27.8m	£23.9m	£21.5m	£82.9m	£82.9m	£74.6m	10%	10%
	Operating Surplus	£22.6m	£6.5m	£5.8m	£24.3m	£24.3m	£21.9m	10%	10%
	Asset Disposals	£7.8m	£7.1m	£5.7m	£23.5m	£23.5m	£18.8m	5%	5%
	Asset Investment	£(5.4)m	£(12.3)m	£(9.8)m	£(40.0)m	£(40.0)m	£(32.0)m	5%	5%
	Dividend					£9.4m		N/A	N/A

6 Understanding Our Impact

The majority of metrics are on target for the year, but there are risks around the following:

- Starts on site - are affected by the requirement of 18m threshold on staircases and we await clear guidance from the Department for Levelling Up, Housing, and Communities on redesign options. Impacted homes projects are either being paused for further clarity or, where viability permits, redesigned in line with London Fire Brigade requirements.
- Diversity – Only about 80% of Places for London's employees have disclosed whether they have a disability or are a member of a minority faith group. We will encourage everyone to revisit their declarations and monitor its impact on these metrics.
- Carbon Literacy – The P4 position is behind target due to the popularity of the course across TfL. Performance will improve in September, with confirmed B4+ bookings driving a forecast 80% completion rate overall for the P7 scorecard.
- Asset investment spend is behind budget awaiting property condition surveys to the existing estate, in order to target activity.