Places for London

The TfL Property Company

Quarterly Performance Report

Quarter 4 2023/24

Appendix 1

Safety, health and wellbeing

Lisa-Jane Risk

Head of Operations

Places for London

The TfL Property Company

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Safety, health and wellbeing

Look back at 2023/24

Quarter 1

- Created a core health and safety skills matrix for all colleagues
- Redeveloped the frequency of the tenant audit inspection programme to be risk based
- Introduced an enforcement framework to resolve tenant non-compliance
- Formalised assurance activities through controlled procedures

Quarter 2

- TfL Safety, Health and Environment ~~(SHE)~~ Culture Maturity Assessment completed in Places for London
- Developed improved relationships with stakeholders such as London Fire Brigade and London Underground
- Supported tenants by developing water risk assessment templates for simple low-risk systems

Quarter 3

- Introduced a digital assurance tool (iAuditor) for the Property Management teams to conduct routine Planned General Inspections
- Built relationships with others to share knowledge, best practice (The Arch Company)
- Introduced asbestos reinspection's of the estate to manage condition / risk of asbestos containing materials

Quarter 4

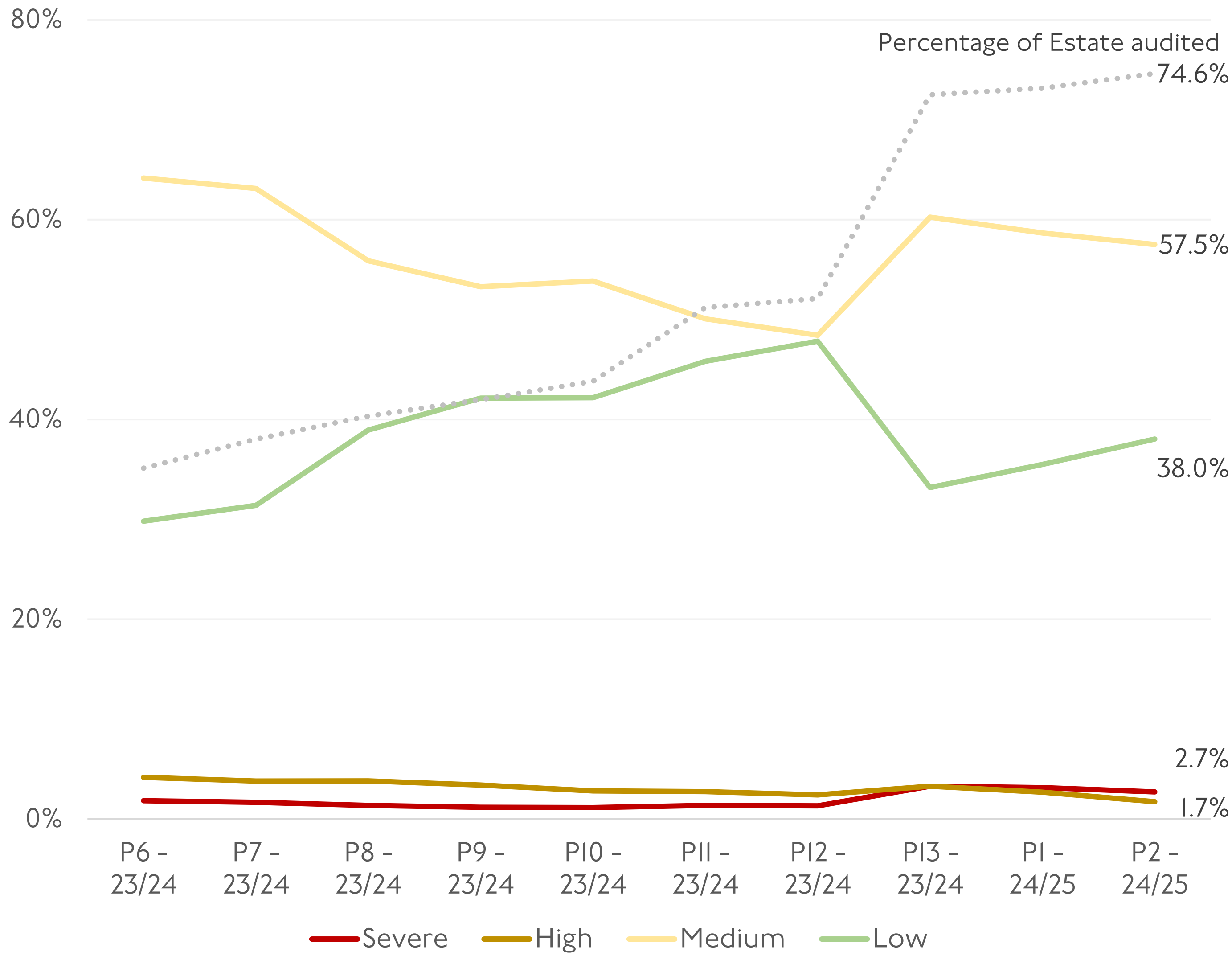
- Established the new review and advisory group, providing safety, health and compliance assurance to the Executive Leadership Group
- Improved the compliance risk profile of our Tenant Managed Estate. Since Period 6, the proportion of severe and high compliance risk rated properties dropped from a combined 10.1 per cent to 6.6 per cent
- Introduced compliance assurance on the Places for London Managed Estate

Tenant Managed Compliance Risk Rating

The compliance team continues to assess the tenant managed estate to ensure a safe and compliant portfolio by enforcing, educating and engaging with tenants

During Period 13 we received audits from an external contractor. The results were more properties rated at medium risk, and hence the spike in number. Even with this, the percentage of high and severe properties has remained below the 5 per cent target

The percentage of the estate that has been assessed has risen considerably and is currently at 74.6 per cent. We expect this to be approaching 100 per cent by the end of the year. The number of medium rated properties has again started to reduce even after the data influx and our aim is to have the majority of our estate rated low risk



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Safety, health and wellbeing

Safety, Health and Wellbeing stand down day

25 April 2024

Lighthouse & Justin Manley's life-changing incident within the utility industry

Industrial Theatre – bringing to life a positive, open and collaborative safety culture

London Sport – helping Londoners live longer, healthier and happier lives through physical activity

Panel Discussion: Building a safe future – with our JV partners

Suzy Lamplugh Trust – the UK's leading personal safety charity

Jennifer Deeney – a personal story of a fatal construction accident

Operational performance

Places for London
The TfL Property Company

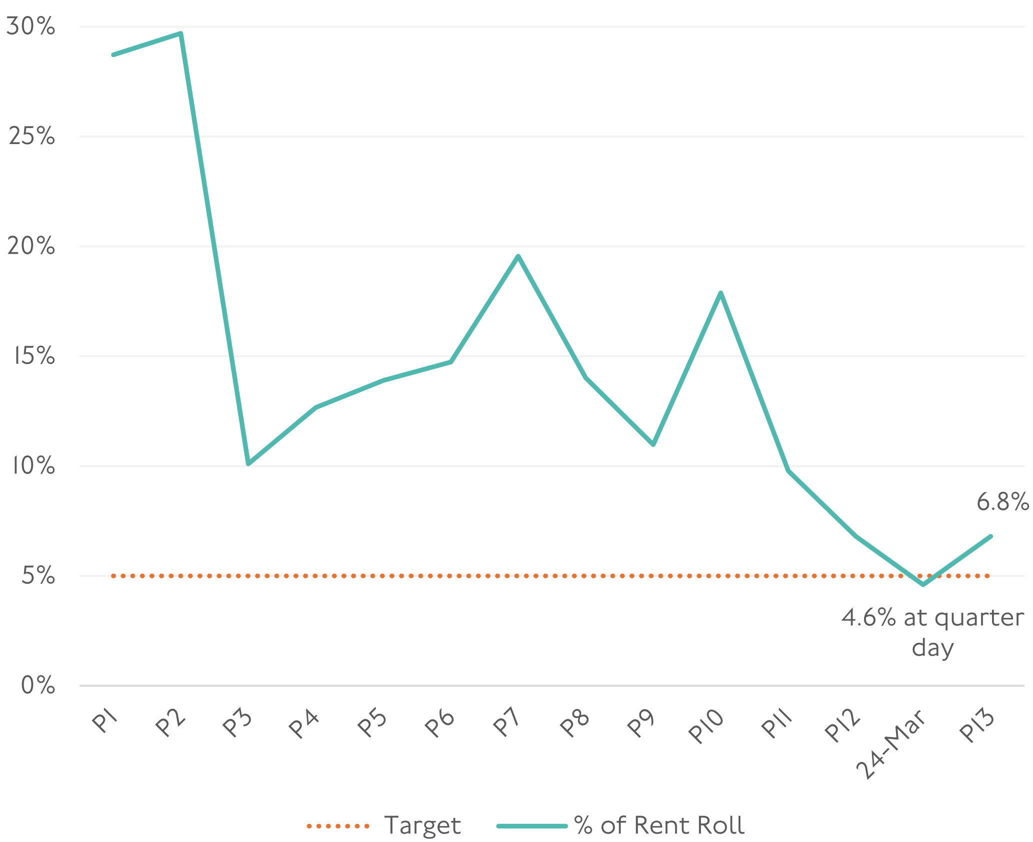
Daniel Lovatt

Director of Asset Management

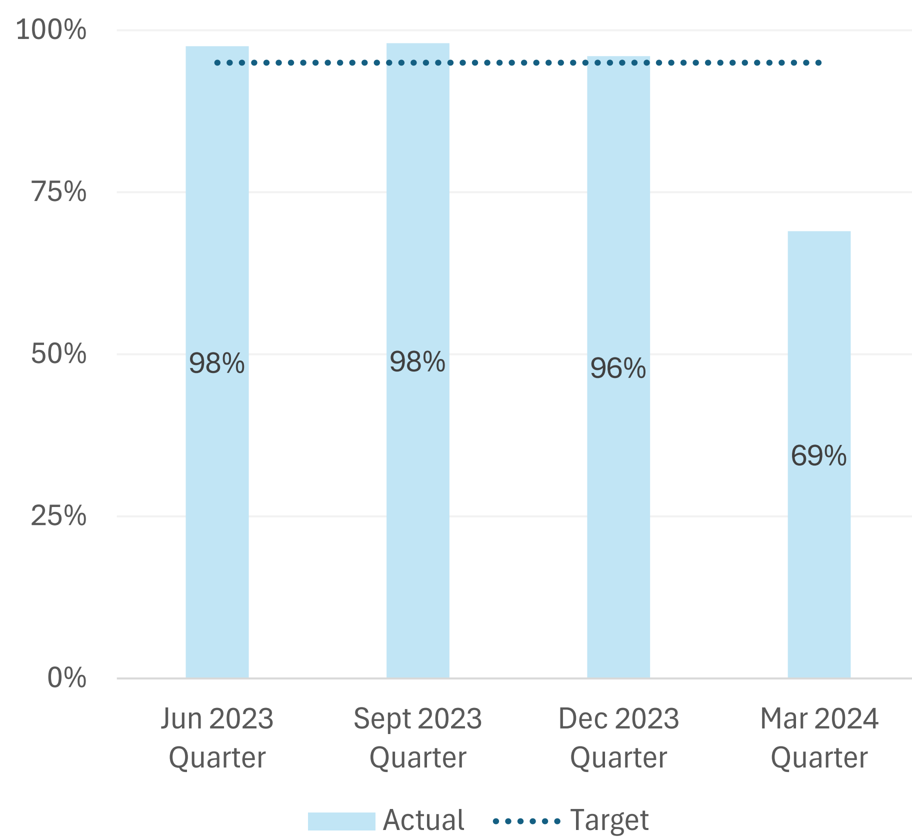
Operational performance

Places for London is making progress towards collections and arrears targets

Arrears (% of rent roll) to 31 March



Collection rate – as at 31 March



Places for London is making progress towards collections and arrears targets

- Places for London arrears stood at £2.9m on the 24 March 2024. This represents arrears of 4.6 per cent as percentage of rent roll which means that Places successfully achieved its 5 per cent arrears target. This is a reduction of £14.7m from the start of the financial year

- Previous quarters are 95+ per cent recovered in line with targets

- Updated position: Excluding the top two 'bus garage' arrears, current arrears are £3.4m following a focused campaign post quarter day. A total of £0.28m is subject to a payment plan.

- A Head of Retail has been recruited to help reinforce and drive forward the importance of effective customer management.

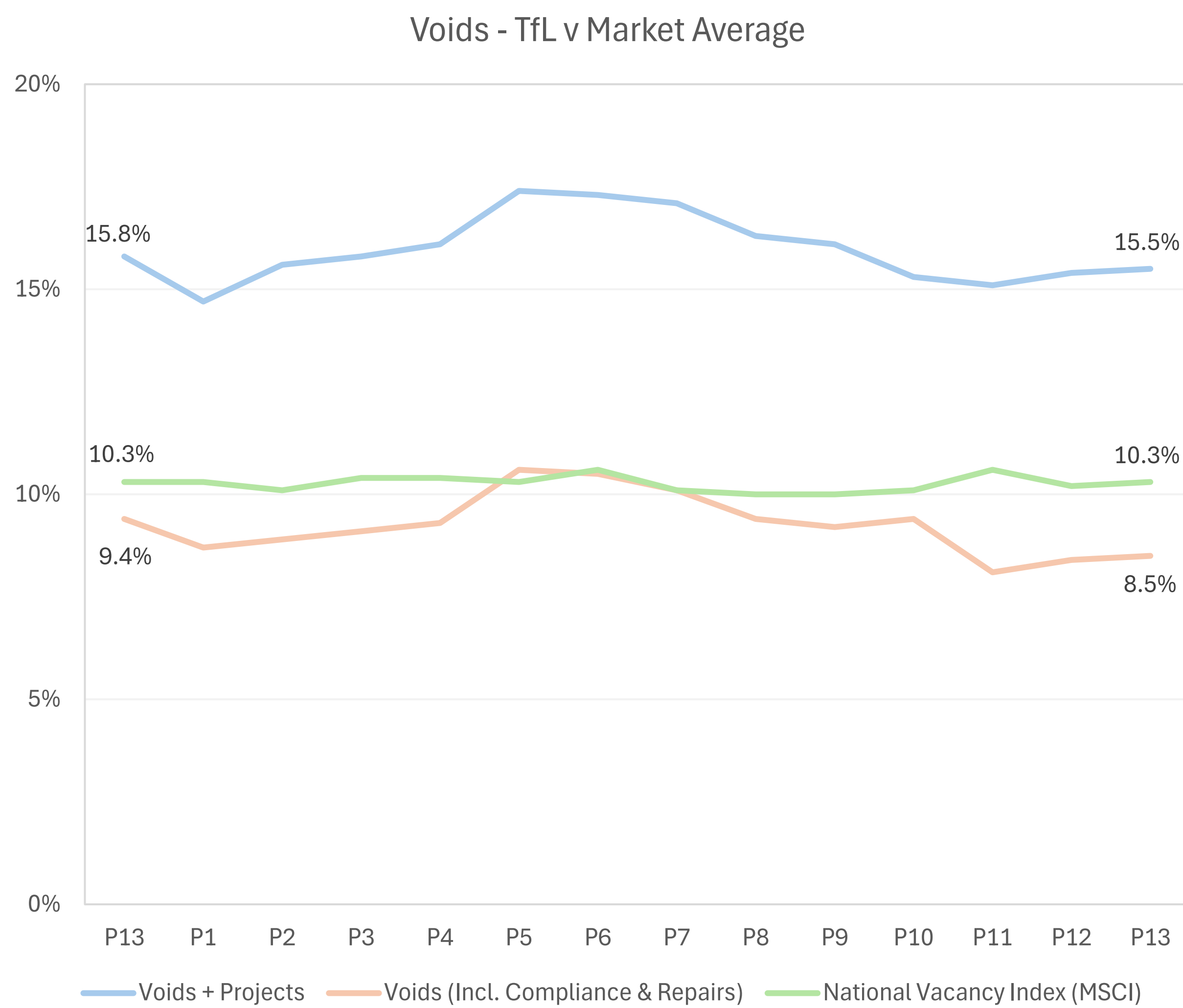
- Focus is on £40k debtors, holding weekly meetings to agree actions and deadlines. Commercial Rent Arrears Recovery is being employed as debts age to 30+ days. This approach is making a difference. All material debts have a plan and deadlines.

Places for London
The TfL Property Company

Operational performance

Voids

- Our void rate is 1.8 percentage points better than the leading industry benchmark, and has been tracking below for the past 6 months
- Forty-one units are under offer at a rental value of £1.5m
- A further 89 units with an Estimated Rental Value (ERV) of £2m are being marketed
- There are 100 units with an ERV of £2.4m requiring works before a lease is completed
- We have a further 243 units where we are undertaking major projects to drive more revenue from the estate
- The creation of the Profit and Loss accounts facilitates prioritisation by the overall opportunity cost (ERV + holding costs)
- Live programmes across Retail, Residential and Arches to reduce voids



Property Development Update

Places for London

The TfL Property Company

Lester Hampson

Director of Property Development

Places for London

Property Development

Places for London Joint Venture Partners

BARRATT LONDON

grainger plc

NATIVE LAND

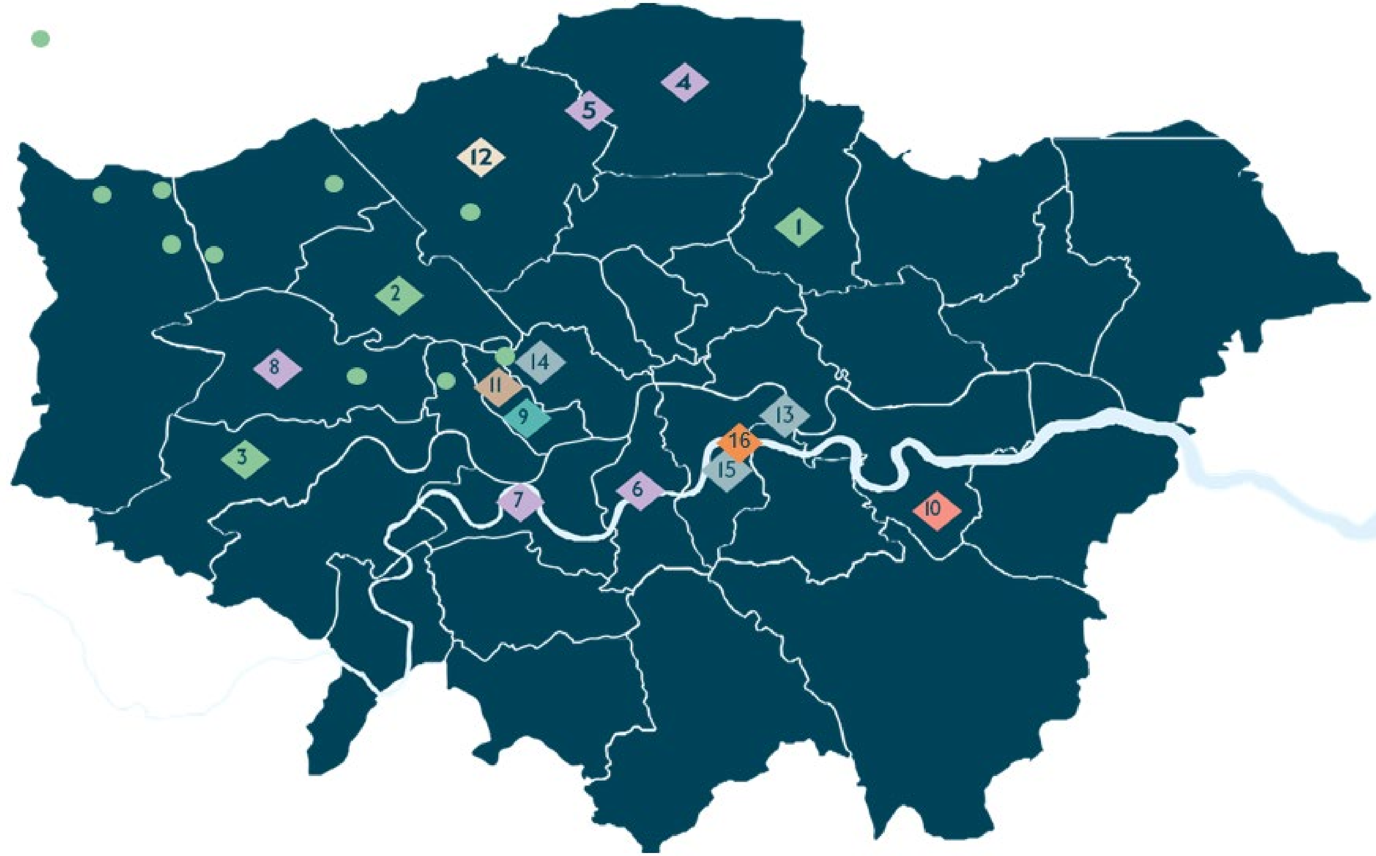
Notting Hill Genesis

DELANCEY

ballymore.

HELICAL

Landsec



1	Blackhorse View (350)	6	Montford Place (139)	11	Earls Court (3,395)	16	The Liberty (221k sq.ft)
2	Wembley Park (454)	7	Nine Elms (479)	12	Edgware (3,500)	●	Smaller sites
3	Bollo Lane (825)	8	Southall Sidings (460)	13	Bank (142k sq.ft)		
4	Arnos Grove (162)	9	South Kensington (38)	14	Paddington (235k sq.ft)		
5	Cockfosters (263)	10	Kidbrooke (619)	15	Southwark (Under Review)		

Smaller sites under Barratt 'West London Partnership' – 9 in total (1,696):

Ealing Common Depot, High Barnet, Royal Oak, Cannons Park, Northwood, Eastcote,, Chalfont & Latimer, Ruislip Fields, and White City

Property Development

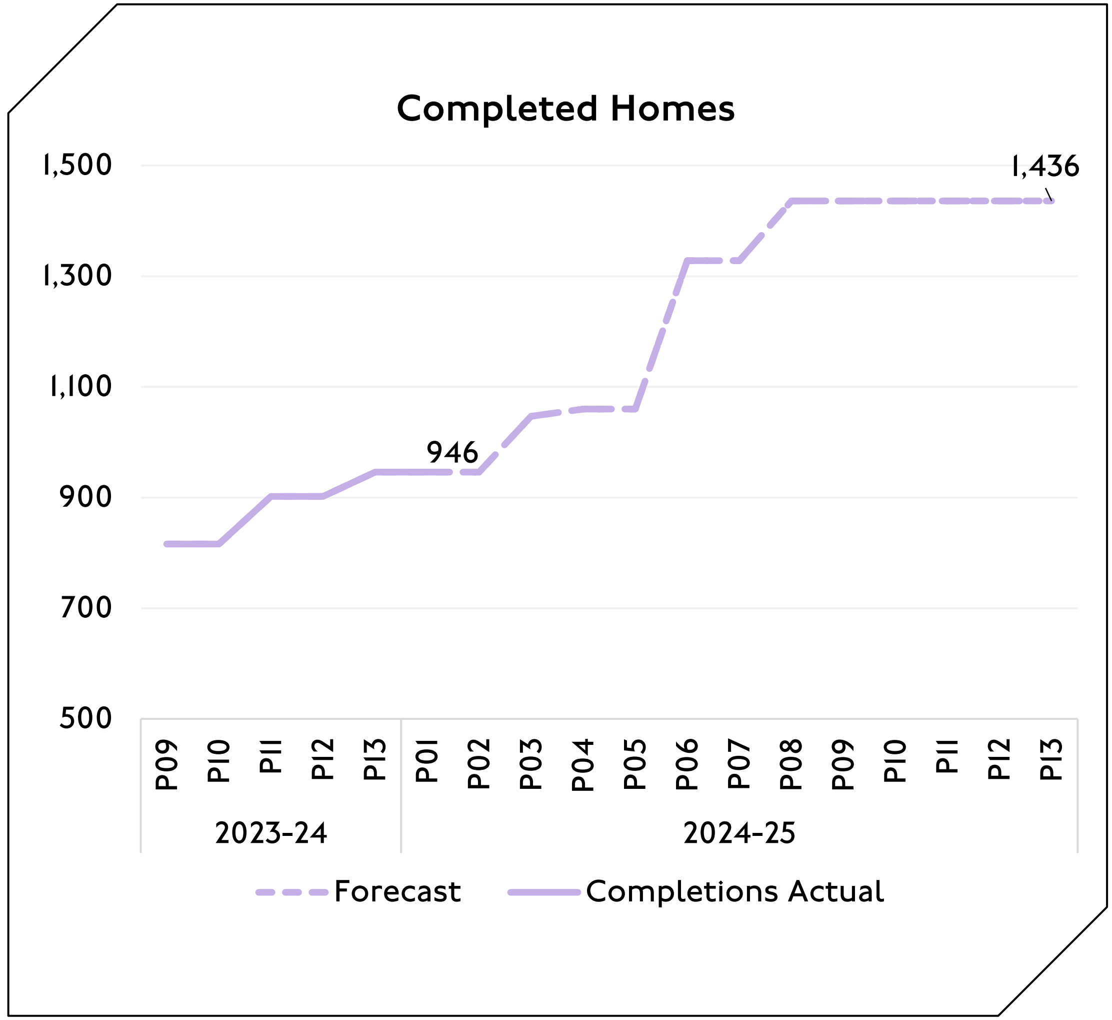
Places for London completions at year end and look ahead to 2024/25

In 2023/24 we cumulatively completed 946 homes against a target of 1,258 and a floor target of 915.

Practical completion was achieved at Woodside Park (86 homes, 100 per cent affordable) in February 2024 and Kidbrooke Phase 1(a) (44 homes 100 per cent affordable) in March 2024.

In 2024/25, it is anticipated that we will complete a cumulative total of 1,436 homes at the following sites:

- **Kidbrooke Phase 1(b) –** 369 homes, 50 per cent affordable across the site
- **Aylesbury Street –** nine homes, 100 per cent affordable)
- **Albany Road –** four homes
- **Fenwick Estate –** 46 homes, 100 per cent affordable
- **Wembley Park Phase 1(A)** – 62 homes, 40 per cent affordable across the site



Places for London

The TfL Property Company

Property Development

Places for London start on sites at year end and look ahead to 2024/25

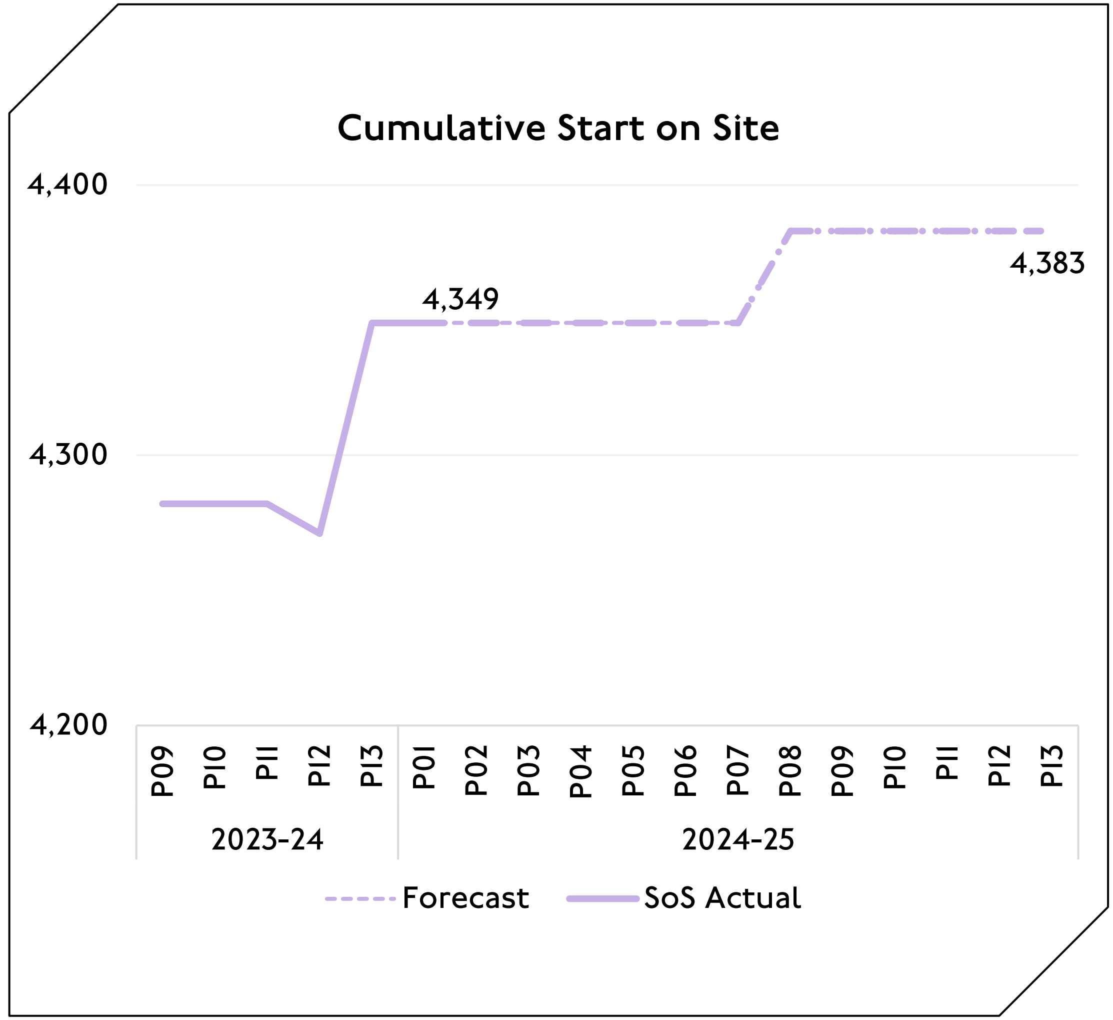
In 2023/24, our cumulative start on site total was 4,349, compared to a target of 4,407 and a floor target of 4,314.

Start on site was achieved at Hornchurch (27 homes, 11 per cent affordable), Barkingside Builders Yard (98 homes, 100 per cent affordable), Portree Street (9 homes) and Snaresbrook (74 homes, 100 per cent affordable).

In 2024/25, we expect to start on site at Liberty of Southwark (34 homes, 50 per cent affordable), bringing the cumulative start on sites to 4,383.

The following projects are considered high risk as we have no direct control on delivery, but may also start before the end of 2024/25:

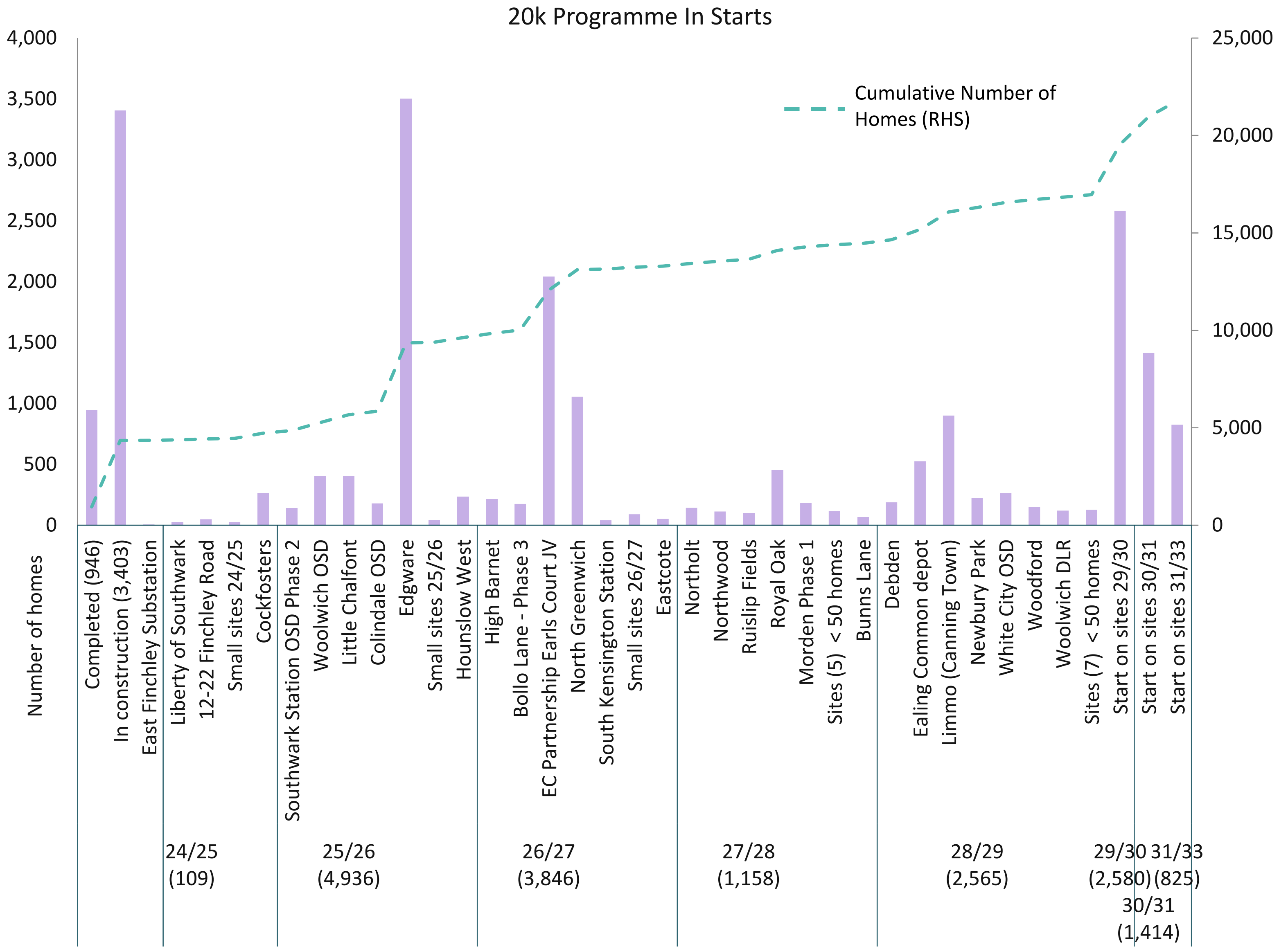
- **East Finchley Substation –** nine homes
- **Upper Richmond Road –** six homes
- **108-112 Palmerston Crescent –** 30 homes, 35 per cent affordable



Property Development

Places for London Starts on Site forward look

- In March 2024 we had cumulatively completed 946 and have started construction on 3,403 homes
- We are forecasting by 2031 to have started on all the sites required to deliver the 20,000 homes target



Places for London
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Property Development

2024/25 Scorecard Milestones:

To supplement the Start on Sites and Completion home targets we will also be measuring ourselves against the following milestones:

Project Name	Project / Milestone	Target date	RAG
Edgware	Planning Application Submitted	28/09/2024	
EC Partnership Earls Court JV	Planning Application Submitted	28/09/2024	
High Barnet	Contracts Exchanged with Barratt	27/10/2024	
Kidbrooke Phase 1	Phase 1 Practical Completion	10/11/2024	
Southwark station	Station Interventions - Main Contractor Start on Site	28/11/2024	
Bank Station	Land Acquired by Joint Venture	24/12/2024	
Build to Rent Programme Level	Updated planning applications submitted for three Connected Living London (CLL) Build to Rent sites, 9 months post Building regulations Approved Document B compliance guidance released	29/12/2024	
Fenwick Estate	Handover of development to Lambeth	29/01/2025	
Limmo (Canning Town)	Receipt of Final Tender	13/03/2025	
Network Rail + Places for London	All Gate 0 programmed meetings completed including the recommended Network Rail sites (non major sites)*	28/03/2025	

Scorecard

Places for London

The TfL Property Company

Mark Farrow

Director of Strategy and Planning

Places for London

The TfL Property Company

Scorecard

Scorecard Results 2023-24

Overall Score 77.2 per cent

	Measure	Actual	Target	Floor Target	Weighting	Year End
Safety and Risk	Inspections Completed vs Planned	106%	95%	90%	10%	10%
	Killed or Seriously Injured (KSI)	0	0	0	10%	10%
Colleague	Total Engagement	61%	64%	61%	10%	1%
	All Staff Representativeness					
	-Gender	49.3%	45.3%	45.0%	1.25%	1.25%
	-Ethnicity (BAME)	28.8%	27.9%	25.1%	1.25%	1.25%
	-Disability	7.5%	9.4%	8.9%	1.25%	0%
	-Minority Faith / Belief	14.7%	15.8%	13.8%	1.25%	1.11%
Homes	% Affordable Start on Sites	47%	47%	47%	10%	10%
	Start on Sites (Cumulative)	4,349	4,407	4,314	5%	2.2%
	Housing Completions (Cumulative)	946	1,258	915	5%	0.9%
ESG	Complete carbon literacy training (Band 4 and above)	100%	100%	75%	5%	5%
	Customer Satisfaction Survey	58%	70%	65%	5%	0%
	Achieve ESG Milestones	4/5	5/5	3/5	5%	4.5%
	-Complete EPCs by Mar 24	100%	100%	100%	1%	1%
	-GRESB 5* Rating	Achieved	31/03/2024	31/03/2024	1%	1%
	-Publication of BBP compliant NZC roadmap	Achieved	31/12/2023	31/03/2024	1%	1%
	-TCFD (Task force on climate related financial disclosures)	Achieved	30/08/2023	30/08/2023	1%	1%
	-EV out to tender	Achieved	30/09/2023	31/03/2024	1%	0.5%
Finance	Total Revenue	£90.1m	£82.9m	£74.6m	10%	10%
	Operating Surplus	£36.2m	£24.3m	£21.9m	5%	5%
	Asset Disposals	£37.0m	£23.5m	£18.8m	5%	5%
	Asset Investment	£(40.8)m	£(40.0)m	£(32.0)m	5%	5%
	Dividend	£21.0m	9.4m	9.4m	5%	5%

Places for London
The TfL Property Company

Scorecard

Scorecard Results 2023-24

Overall Score 77.2 per cent

Safety and Risk

The completion of more inspections than planned has allowed us to have a more detailed risk profile of our estate. We will now be able to measure and target ourselves against a more robust metric to reduce compliance risk for the 2024-25 scorecard.

Environmental, Social and Governance (ESG)

One hundred percent of our senior staff have completed their carbon literacy training during the course of the year and have made specific sustainability pledges to carry into the new year.

Customer Satisfaction Survey results fell seven percentage points in comparison to 22/23 – we are undertaking further analysis to assess and address the issues raised.

All our ESG milestones have been met, with only the Electric Vehicle tender issue being slightly behind the initial target date.

The completion of all our Energy Performance Certificate (EPC) ratings, sets us up to focus on delivery of uprating properties across our estate.

Colleague

Work around the People Plan continues and will help further improve our diversity scores. Disability will need a specific focus as it is currently below the expected target.

Finance

All measures have been achieved.

Homes

Despite challenging market conditions, starts on site and completions have hit their floor targets.

Places for London

The TfL Property Company

Scorecard

Scorecard at Period 2

	Measure	Current Score	YTD Target		Target	Floor Target	Year End Forecast	Weighting	RAG
Safety & Security	Tenant Compliance Risk Profile	4.5%	5%		5%	7.5%	5%	10%	
	Killed or Seriously Injured (KSI)	0	0		0	0	0	10%	
Colleague	Total Engagement	N/A	N/A		62%	61%	62%	5%	
	Leadership Representativeness - Gender	46.4%			46%	44%		5%	
	All Staff Representativeness								
	- Gender	49.6%			48.0%	46.0%		1.25%	
	- Ethnicity (BAME)	28.6%			28.0%	25.0%		1.25%	
	- Disability	7.1%		R	9.4%	8.9%		1.25%	
	- Minority Faith / Belief (not Christian, Agnostic or Atheist)	14.1%		R	18.5%	15.0%		1.25%	
Customer	% Affordable Start on Sites	47%	47%		47%	47%	47%	5%	
	Start on Sites (Cumulative)	4,349	4,349		4,383	4,383	4,383	5%	
	Housing Completions (Cumulative)	946	946		1,436	1,432	1,436	5%	
	Property Development Milestones	0/10	0/10		9/10	7/10	10/10	5%	
	Customer Satisfaction Survey	N/A	N/A		60%	58%		5%	
Grn	Green & Sustainability Milestones	0/10	0/10		9/10	7/10	10/10	15%	
Finance	Total Revenue	£16.1m	£12.8m		£98.3m	£88.5m	£98.3m	10%	
	Operating Surplus	£7.1m	£4.6m		£27.0m	£24.3m	£27.0m	5%	
	Asset Disposals	£0.0m	£0.0m		£12m	£9.8m	£12m	5%	
	Asset Investment	£(6.1)m	£(8.7)m		£(42.8)m +-10%	£(32.0)m	£42.8m	5%	
	Dividend				£11m	£11m	£11m	0%	

Note: The Scorecard only captures 'Leadership Representativeness – Gender' due the population size of this community precluding us from reporting other protected characteristics due to requirements around anonymity and the dependency on self-declaration.

Market context

Places for London

The TfL Property Company

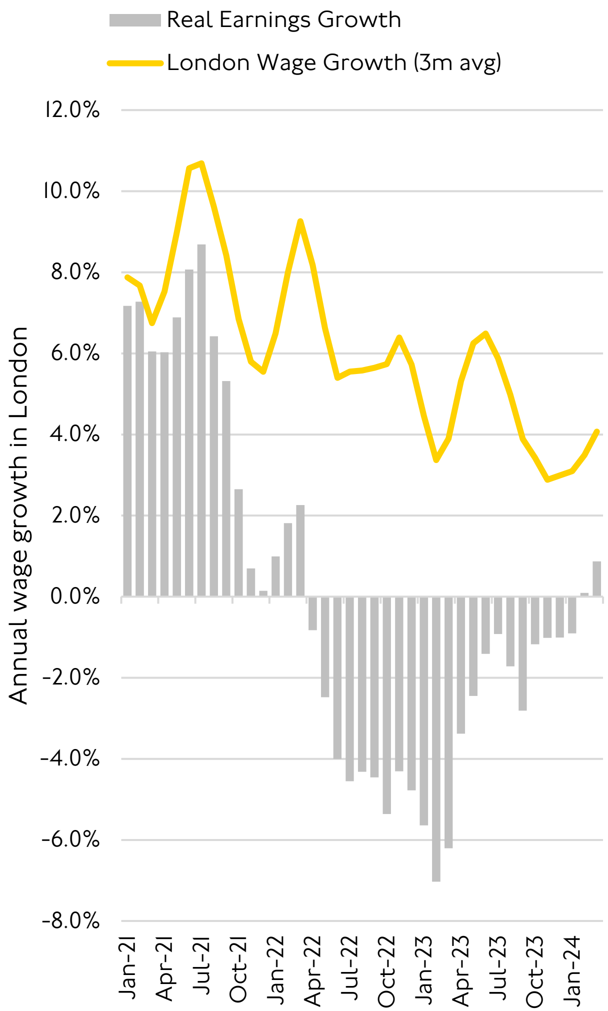
Graeme Craig

Director and Chief Executive

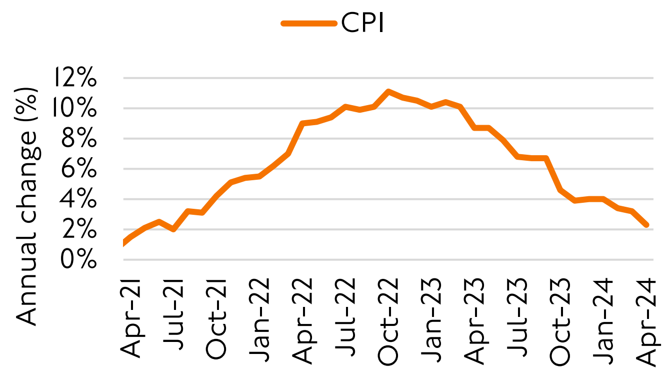
Market context

Bank of England maintains base rates, but cuts are expected in the autumn

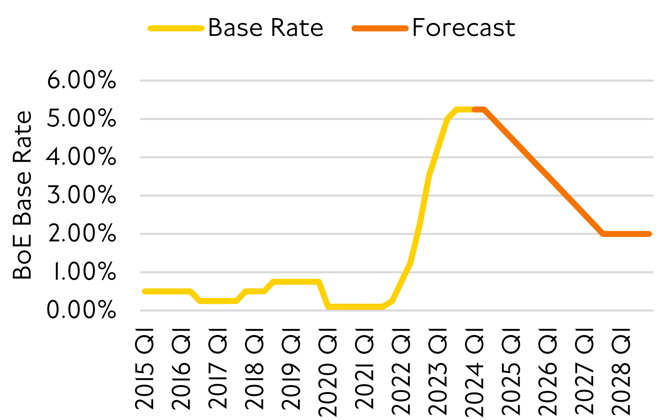
Nominal wage growth was 4.1 per cent in the year March 2024



Inflation was 2.3 per cent in April 2024, slightly higher than economists' expectations, but is projected to fall further



Base rate was held at 5.25 per cent in May, first cut forecast for August 2024



UK Gross Domestic Product (GDP) grew by 0.6 per cent in Q1 2024, reversing two quarters of falls in the second half of 2023. Inflation continues to fall, reaching 2.3 per cent in April 2024.

The Bank of England kept the base rate at 5.25 per cent in May. The first cut is expected later in 2024.

Mortgage rates have risen again slightly after cuts brought in during early 2024, as the Base Rate remains elevated.

Nominal wage growth in London was 4.1 per cent in the year to March 24. In both February and March, wage growth outstripped inflation, delivering the first real terms wage increases since March 2022.

Swap rates remain sensitive to market expectations around interest rate cuts, with 5-year Sterling Over Night Indexed Average (SONIA) swaps around 3.9 per cent in May 2024, below the 4.2 per cent level in May 2023. It is expected that swap rates will remain volatile during 2024 as interest rates start to be cut.

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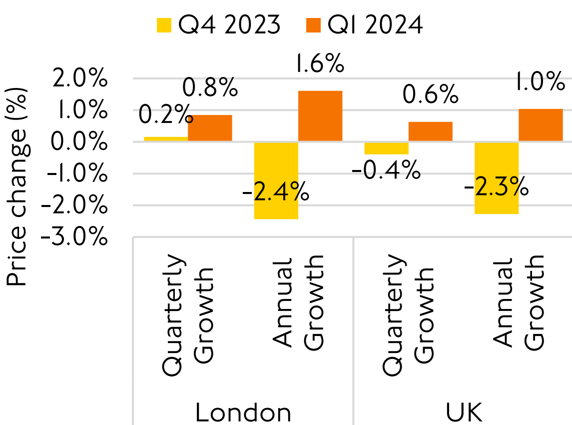
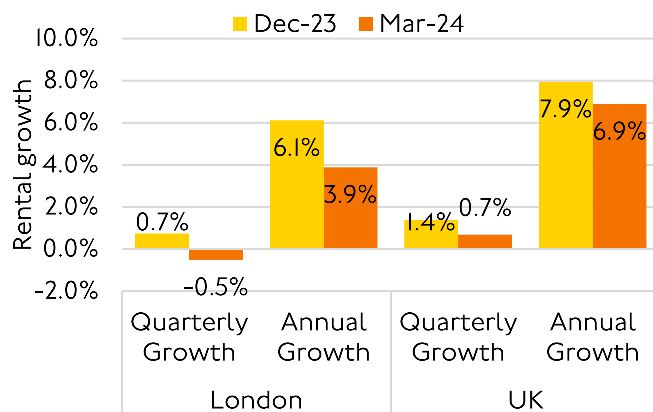
Market context

Rental growth easing in London as demand softens, but sales value returning growth

Quarterly house price growth was 0.8 per cent in QI – with annual price growth of 1.6 per cent



Rental growth in London slowed further during QI, with annual growth falling to 3.9 per cent



Savills forecasts rental growth of 5.5 per cent in London in 2024, with 5 year growth of 18.2 per cent between 2024 and 2028

	2023 Actual	2024	2025	2026	2027	2028	Total
Mainstream UK Rents	8.0%	+6.0%	+3.5%	+3.0%	+2.5%	+2.0%	***+18.1%***
Mainstream London Rents	6.1%	**+5.5%**	**+3.5%**	**+3.0%**	**+2.5%**	**+2.5%**	***+18.2%***

Rents in London fell during QI by 0.5 per cent. This led to a further slowdown in annual growth, which was 3.9 per cent to March 2024, compared with 6.9 per cent across the UK. This aligns with reported easing in the level of demand by agents in the Royal Institution of Chartered Surveyors (RICS) survey over recent months.

There remains a shortage of new supply coming to the market, which has led agents to expect rental growth to return in the coming three months.

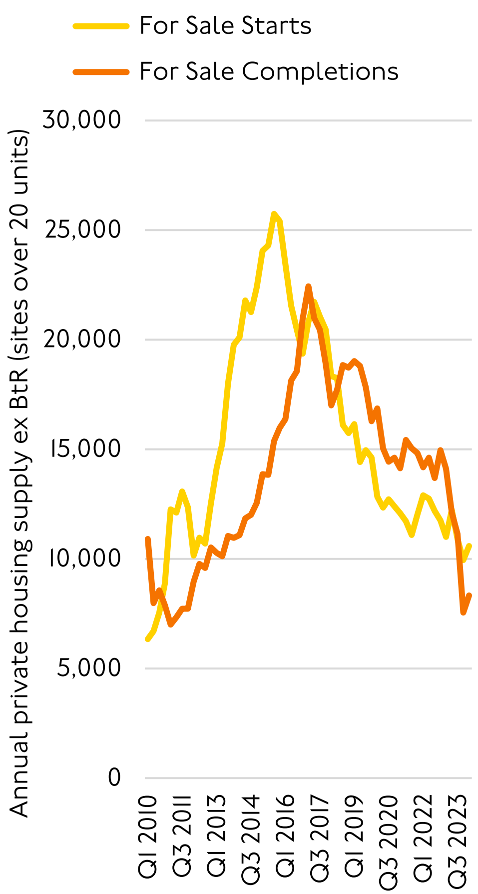
London house prices rose by 0.8 per cent in QI 24, according to Nationwide, following a growth of 0.2 per cent in Q4 2023. This means that annual price growth has returned, rising by 1.6 per cent in the year to QI. This points to the demand being unlocked with interest rates falling in early 2024.

Urban land values returned to slight growth in QI, rising by 0.3 per cent. But demand remains muted.

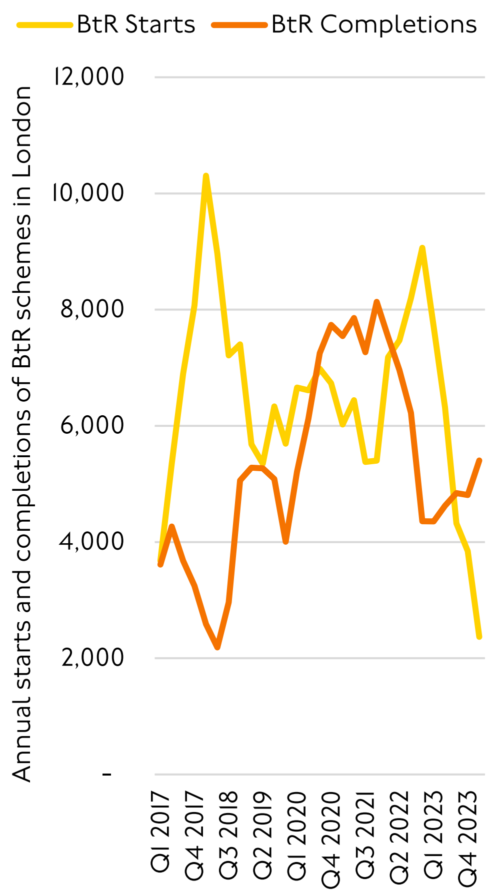
Market context

Residential construction activity remains subdued, in particular Build to Rent where new starts are at lowest levels since 2014

Close to 3,000 private sale homes started construction in Q1, down slightly from Q4 2023, but 28 per cent higher than the same period in 2023



Only 265 Build to Rent units started construction in Q1 2024 across London, an 85 per cent fall compared with Q1 2023



High construction and debt costs continue to impact residential construction. At the same time, buyer demand remains constrained by high mortgage costs.

Construction cost inflation is starting to moderate, but there is no sign of deflation. This will continue to act as a drag on new projects starting in the coming months. New building regulations – particularly on fire safety – are causing further challenges, requiring some schemes to need planning for revised schemes.

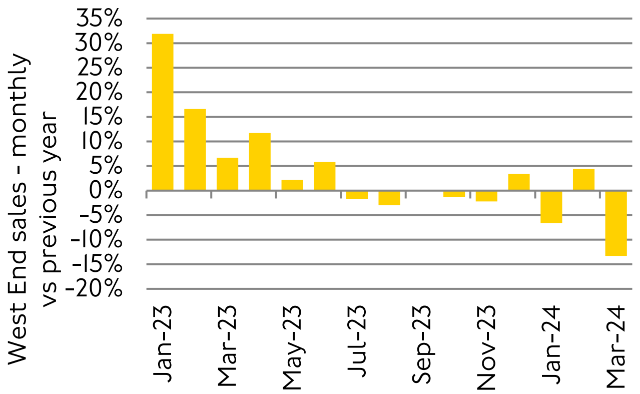
Build to Rent starts have slowed due to higher cost of construction, development finance and viability challenges around funding new development. These will stay in place until interest rates start falling.

Only c.2,500 new homes received planning permission across London in Q1 2024, fewer than half the number granted in Q1 2023 and the second lowest quarterly number since 2012. This will reduce the medium-term pipeline. Improvement will be made when interest rates are falling.

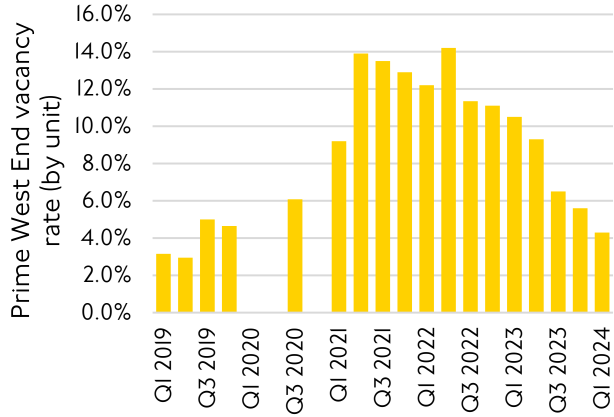
Affordable delivery is also being constrained by limited appetite for s106 from Registered Providers.

Retail spending was muted in the first quarter, but vacancy rates continued to fall in the West End

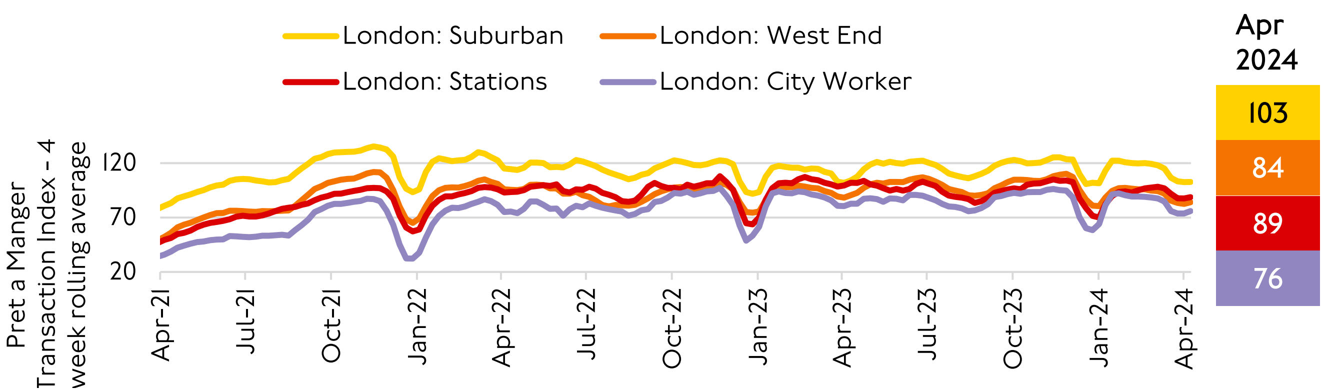
West End sales declined by 13.3 per cent in Mar-24 compared with the same month of 2023. This compares with 6.7 per cent growth in Mar-23



Prime West End vacancy rate by unit count continues to fall, reaching 4.3 per cent in Q1 2024



The London Suburban Pret Index continues to outperform pre-pandemic trading levels, while the City Worker market remains the weakest performer



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

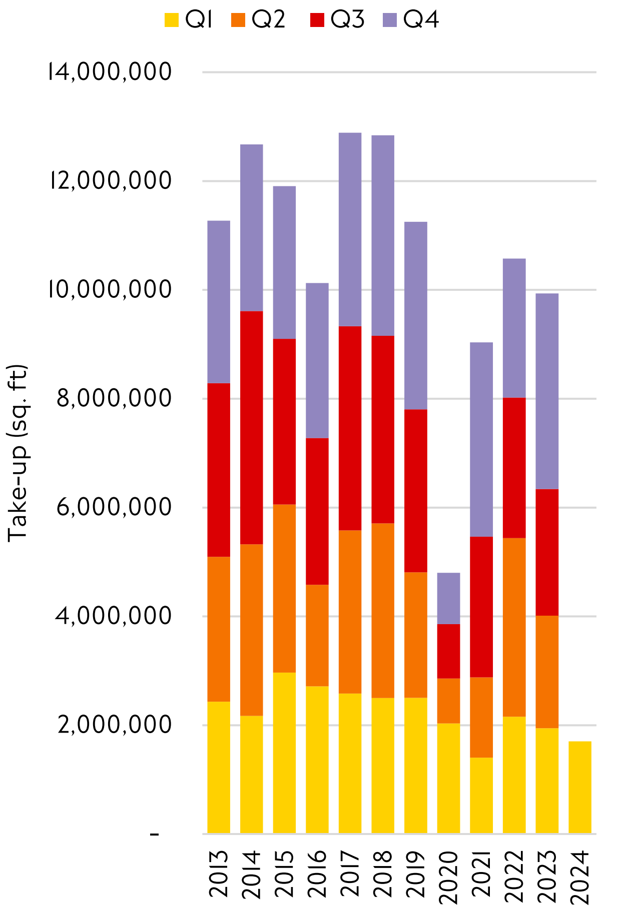
Despite an increase in foot traffic in the West End compared to 2023, sales remained below last year's levels in the first quarter of 2024, potentially impacted by Ramadan and Easter weekend in March.

Continued growth in international arrivals has meant that they are now back at pre-pandemic levels. However, the removal of tax-free shopping is likely to result in lower average transaction spend.

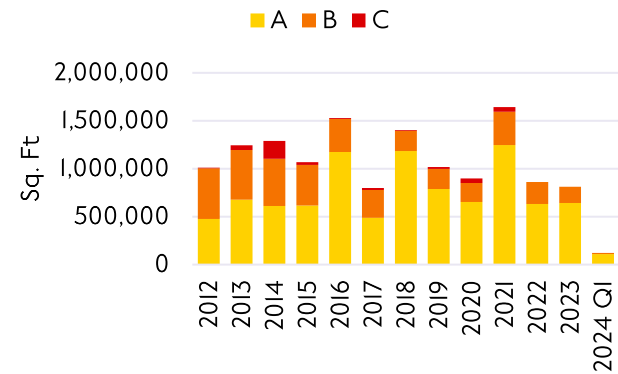
During the first quarter of 2024 the Pret Sales Index had shown recovering activity across West End and Stations markets, albeit they remained below pre-pandemic levels. Suburban markets remained the strongest performer with the City market continuing to be the weakest performing. April sales would likely have been impacted by the Easter weekend.

Leasing activity remains subdued across the office sector but has picked up in light industrial sector

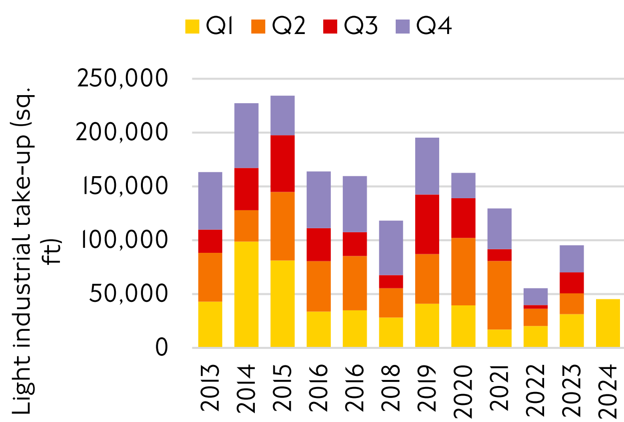
1.7m sq. ft of office space was let in Central London in Q1, this was the weakest Q1 since 2021 when 1.4m sq. ft was let



Take-up in Greater London offices was 120k in Q1 2024 – 89 per cent of which was for Grade A space



45k sq. ft of light industrial space was let during Q1 2024



Office take-up was down in Q1 across both central and Greater London. Across Greater London activity was the lowest Q1 since 2021 with 108k sq. ft of space let.

Tenants continued to be attracted to high-quality space, with 89 per cent of space let across Greater London in Q1 2024 being Grade A, significantly higher than the long-term average of 68 per cent. This trend will continue, as companies look to meet their sustainability targets.

Office supply across Greater London fell further, with Grade A space falling by c.100,000 sq. ft between February and May 2024. A key challenge moving forward is what can be done to older Grade B and C stock. Some is likely to be redeveloped / refurbished into better quality stock, where viable.

Light industrial take-up was 45k sq. ft in Q1 2024, 51 per cent higher than the five-year average and the strongest Q1 since 2015. This could point towards recovering tenant demand as the economic outlook improves.

Places for London
The TfL Property Company

Risks and opportunities

Opportunities

- Slowdown in housing permissions and starts may reduce potential competition for Places for London sites.
- Any reduction in mortgage rates will unlock pent up buyer demand as shown in the increased activity in early 2024.
- Stronger London economic growth in 2024 and 2025 will drive demand for commercial and residential space.
- Easing inflation will be welcome news to small and medium-sized enterprise commercial tenants, particularly retailers.
- The continuing flight to quality within the office sector will continue to support the rationale for Project Platinum with Helical.

Risks

- Cost of living pressures remain heightened and continue to limit spending power and consumer activity.
- Lower occupier demand for older office stock threatens rental levels, leading to a higher risk of voids and reduced ability to capture rental growth.
- Retail spend on central London food and beverage remains below pre-pandemic levels and could continue to pose challenges for our Zone 1 retail tenants.
- Slowing rental growth in London could impact viability on Build to Rent schemes.
- Higher build costs and tightened fire safety / building regulations make new residential development more challenging and could impact the viability of schemes.