

## Press Cutting

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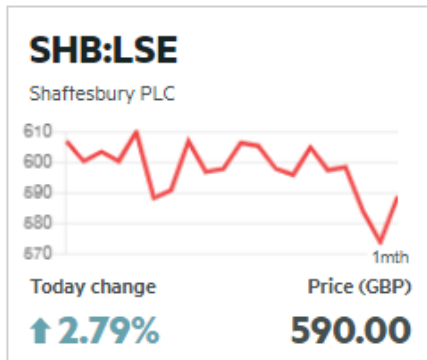
### COMPANIES

## Shaftesbury's higher valuation is a sign of West End health

The landlord's portfolio valuation offers insight into the wider recovery of the commercial property market given the mix of office, hospitality and retail holdings

- Shaftesbury's portfolio valuation recovers slightly
- West End footfall still down on 2019 levels

**T**he past two years have been tough on the West End. Multiple pandemic waves and the resulting lockdowns hit retailers and hospitality businesses hard while landlords were faced with the choice of either shaking down their tenants for money which they often did not have or simply accepting that they would get nothing.



This dynamic was felt across the UK, as the pandemic saw retail and hospitality businesses attempt to stay solvent by negotiating delayed or waived rent.

For landlords like **Shaftesbury (SHB)**, which owns 16 acres of real estate in the West End, this hit profits as rent collection dropped off a cliff. By 30 November 2020, for example,

it had collected 53 per cent of contracted rent for the six months to 30 September 2020 - waiving or deferring 34 per cent of rent owed.

Two years later, London's cultural centre is recovering, albeit tentatively, with the most recent valuation of Shaftesbury's wholly-owned portfolio acting as a barometer for the world-famous neighbourhood. It climbed 15 per cent to £3.3bn as at 31 March this year from a low of £2.8bn the year before. The valuation is still far below the pre-Covid figure of £3.8bn, however.

The update has chief executive Brian Bickell in a jubilant mood. He points to the difference between the West End and the City of London right now - arguing that the former is looking much more like its old self.

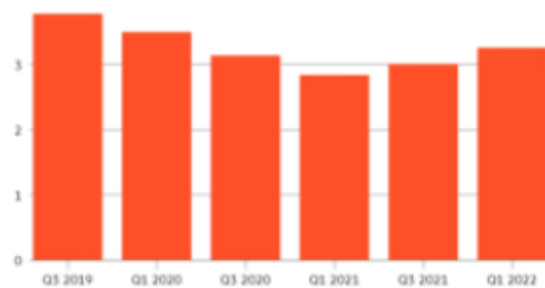
"People are back in their offices in the West End, and it's far better than the City of London which is absolutely dead," he said. As at 28 April this year, real estate agency Savills said there was around 12.9mn sq ft of vacant space in the City of London compared with the five-year average of 8.3mn sq ft.

The West End office market isn't just important for Shaftesbury because of the footfall it brings to retail, hospitality and leisure businesses, but because the landlord's portfolio is 21 per cent offices by area - with residential also accounting for 21 per cent and retail, hospitality and leisure assets accounting for the remaining 58 per cent.

Hunter Booth, head of West End office agency at Savills, explained that the liveliness of Shaftesbury's retail businesses affects the appeal of its offices and vice versa. "That is what you buy into - particularly with the Shaftesbury offer - is that vibrancy," he said.

#### SLOW REBOUND FOR SHAFTESBURY

Wholly-owned portfolio valuation (£bn)



Source: Shaftesbury

Despite the bullishness of Bickell and Booth, there are headwinds for this vibrancy. As at 28 April this year, Savills puts the West End office vacancy rate at around 6.5 per cent, compared with the 10-year average of 4.1 per cent, while retailers and hospitality businesses face big challenges.

“The number one concern for retailers at the moment is staff - closely followed by cost of living,” said Kate Nicholls, chief executive of UKHospitality. She explained that the two are intertwined because the surging cost of doing business is fuelling the cost of living crisis.

“It remains a very volatile and unpredictable market at the moment,” she added.

None of this is helped by the fact that West End footfall remains far below pre-Covid levels - with the Heart of London Business Alliance calculating that it is 31 per cent down for the week commencing 25th April compared with the same week in 2019.

Shaftesbury could well be sheltered from the worst of this because of the West End’s unique position as an international shopping destination rather than simply a domestic one, and Savills’ Booth is confident the office market will recover as well based on the number of enquiries for office space he is seeing in his inbox. But it is not yet clear when or if the West End will return to its former glory or Shaftesbury’s portfolio will return to its pre-Covid valuation.