PADDINGTON BID

Praed Street Vision – Executive Summary

December 2019

Colliers
INTERNATIONAL

PaddingtonNow | BUSINESS IMPROVEMENT DISTRICT

Introduction & Context

INTRODUCTION

- The Paddington area is transforming, emerging as a destination in its own right. With a range of developments in the pipeline, including Paddington Square, later phases of the Merchant Square, Paddington Central and the arrival of the Elizabeth Line from 2020/21 onwards, Praed Street is well placed to flourish.

- In fact - in total, over 1.8 million sqft of new commercial & Retail / F&B space is proposed or on site to deliver in Paddington. This is higher than any other district in the West End and 45% higher than Mayfair, ranked in second. Furthermore, Paddington is home to two of the top three largest developments in the West End pipeline – Paddington Square and 5 Kingdom Street which are a total of 1 million sqft combined. An additional 2,000+ residential units and 550+ hotel rooms are also in the pipeline.

- Praed Street currently has a poor reputation, with its retail / service / F&B provision viewed as low quality. The street is characterised by high traffic volumes both in terms of pedestrian footfall and road traffic. This coupled with narrow pavements and A-boards / refuse from traders does not encourage dwell.

- These issues will become further exacerbated as local new developments come online which are set to offer higher quality space both for traders and visitors. Action is required now, to redefine Praed Street in this pivotal period as new developments change both the local infrastructure and demographic.

Paddington Square Development CGI – Fronting Praed Street
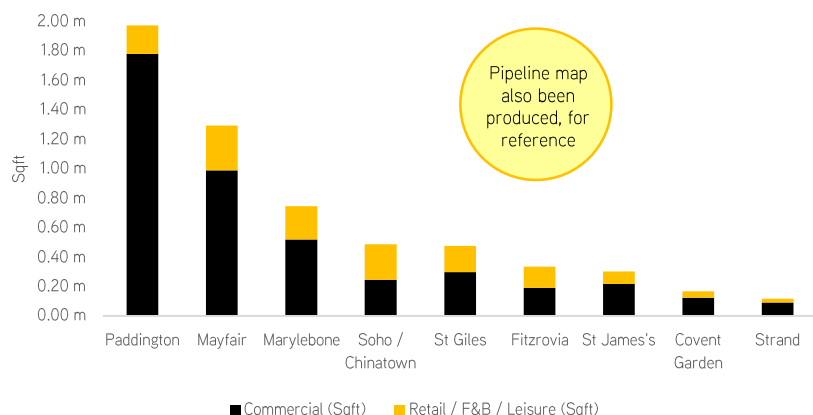
THE BRIEF & OUR APPROACH

- The broad objective of the project is to improve Praed Street's offer. The focus of this project seeks to maximise this potential through the delivery of data and analytics which support a shared vision for Praed Street, London Street and Spring Street. This study covers:

  - **Existing Retail Landscape** – Occupier mix, catchment spend, rental trends, ownership and future development.

  - **Defining Catchment** – population size & forecasts, age profile, housing tenure, occupation profile, ethnicity profile, geodemographic segmentation.

  - **Defining Visitor Profile** – footfall, visit frequency, dwell time, conversion rate, preferences.

- All final recommendations have been made through collaboration with the Colliers Central London agency team – providing additional perspective on the latest local market retail and occupier trends.

REPORT
HEADLINES

Retail Landscape

VISUAL HEADLINES

Pipeline map also been produced, for reference

Sqft axis: 2.00 m, 1.80 m, 1.60 m, 1.40 m, 1.20 m, 1.00 m, 0.80 m, 0.60 m, 0.40 m, 0.20 m, 0.00 m

Categories: Paddington, Mayfair, Marylebone, Soho / Chinatown, St Giles, Fitzrovia, St James's, Covent Garden, Strand

■ Commercial (Sqft)   ■ Retail / F&B / Leisure (Sqft)

£200m+
Comparison Goods Spend (2019)

£77m+
F&B Spend (2019)

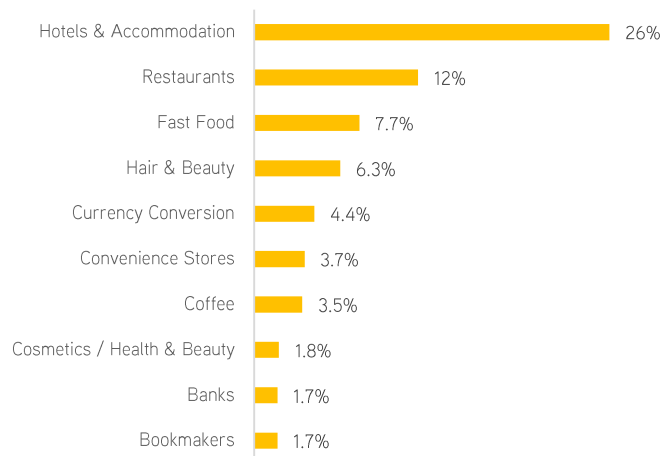| Data	Paddington Square	Praed Street
Total Retail / F&B (sqft)	75,000	160,000
Unit Size Range	100%	100%
<800sqft	39%	54%
800-1,500	44%	28%
1,500-3,000	12%	15%
3,000+	5%	3%
Average Unit Size	1,180	1,160
Median Unit Size	1,071	800
Zone A Rent Range	£250-£275	£70-£160
Occupier Mix	Tube Station Level: Amenity Led - 36%	43% - Comparison, Convenience, Retail Service
	Station Concourse Level: Aspirational Retail - 44%	
	Praed Street Level: F&B Led - 20%	38% - F&B / Leisure

HEADLINES

Occupier Mix	F&B / Leisure represents 33% of mix across all streets and sits 66% above the national average.
	Retail Services make up 24% of occupiers - Bureau de Change & Banks (12%). Nationally, these represent 1.2% businesses.
	Vacancy is low and on a downward (positive) trend over the last 12 months.
Catchment Spend	Average annual spend per head in the Praed Street catchment is well above the national average, across all types of spend.
	Non-Retail Services' (inc. Health & Beauty) average annual spend per head is 88% above the national average.
	F&B average annual spend per head is 153% above the national average.
Rental Trends	Over the last five years, average Prime Zone A rent in Central London has grown by 25%. Praed St has grown 10%.
	Praed Street has the lowest Prime Zone A rent of all local streets analysed (£160). A prime opportunity for landlords to adopt a collective strategy to enhance values.
	Quoting Zone A rents of £250-£275 in the Paddington Square development are significantly higher than the current Praed Street tone (50-70% higher). Only four of the 41 units are under offer to date.
Ownership	There is 50/50 split between London / UK based landlords and overseas landlords registered at tax havens.
	Ownership is clustered at both ends of Praed Street. London based ownership is clustered in a central section, opposite Paddington Square - presenting a future opportunity for the BID vision.
Future Development	In total, over 1.8 million sqft of new commercial & Retail / F&B space is proposed or on site to deliver in Paddington – inclusive of the remainder of the Merchant Square development. This pipeline is 45% higher than Mayfair, ranked in second.
	Additionally, a further 2,000+ residential units and 550+ hotel rooms are in the pipeline – again, higher than all districts covered in this analysis.
	Across all developments in our pipeline, Paddington Square and 5 Kingdom Street both rank in the top three for the amount of commercial & retail space delivered – over 1 million sqft combined.
	The opportunity for Praed Street occupiers is unparalleled, particularly in context of the proximity of new developments such as Merchant Square – action is required now to maximise the potential of the street, before these developments launch.

Colliers INTERNATIONAL

4

PaddingtonNow

Catchment & Visitors

VISUAL HEADLINES

26%
Hotels & Accommodation

12%
Restaurants

8%
Fast Food
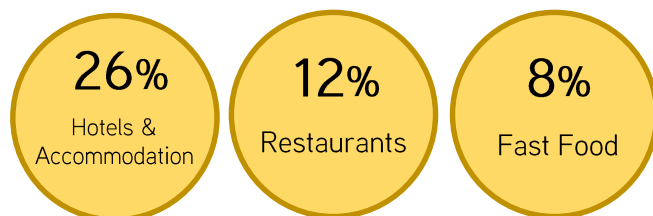
MOST VISITED PRAED STREET OCCUPIERS
(Conversion)

Occupier	%
Hotels & Accommodation	26%
Restaurants	12%
Fast Food	7.7%
Hair & Beauty	6.3%
Currency Conversion	4.4%
Convenience Stores	3.7%
Coffee	3.5%
Cosmetics / Health & Beauty	1.8%
Banks	1.7%
Bookmakers	1.7%

HEADLINES

Catchment Profile

Within the 1km / c.5min drive time catchment for Praed Street the current residential population is 73,000 – that's larger than Maidenhead!

This residential catchment population is set to grow by a further 6% over the next 10 years, to 77,000.

Over half of the residential catchment are aged 25-54. Over 55's will be the fastest growing age group over the next 10 years (30% increase).

The profile of occupation types is broad, covering nine different groups. 'Office', 'Leadership' & 'Technician' categories hold majority - all highly skilled, senior positions.

The catchment has a very high proportion (79%) of 'City Prosperity'. This is the most affluent demographic in the UK and are typified by occupying high value homes and work in high status jobs.

Visitor Behaviour

Visitor footfall to Praed Street over the last 12 months is very high indeed – over 34 million. Average dwell time is 215 minutes - driven by workers in the local offices, hospital, Imperial College and hotels. 31% of visitors dwell for 90 minutes or less.

Dwell on Spring St & London St, inclusive of workers, is between 7-14% lower than Praed Street at 184-199 minutes. Workers have less influence on behaviour on these streets, as a higher proportion of visits dwell under 90 minutes (37-38%).

37% of visits to Praed Street are 'Weekly'. However 30% are also 'Half Yearly' or 'Annually', led both by a mix of local workers and hotel visitors.

Peak visit days of the week across all streets are Wednesdays & Thursdays combined footfall on these days is double the average weekend footfall.

Overall 26% of visitors to Praed Street, visited a Hotel. Hilton & Mercure were the most visited over the last 12 months, converting 12% and 11% of total footfall respectively.

Colliers INTERNATIONAL

PaddingtonNow

Praed Street Vision

THREE KEY PILLARS

Shop Sizes
- 800-1,000sqft requirements
- Target Ownership Clusters

Shopping Environment
- Traffic Calming / Reduction / Removal
- Encourage Outdoor Dwell

Occupier Mix
- Build on F&B and Retail Service Mix
- Complement Paddington Square

MEETING FUTURE DEMAND

- Clearly defined strategy required to leverage all that is possible to encourage visitor dwell and higher levels of conversion.

- Build upon and centre the vision around the strengths of Praed Street, including building heritage and outdoor streetscape - to offer a point of difference against all new build development.

- Failure to act now will likely lead to deterioration of occupier demand and rental levels. Collective action will deliver returns for all Praed Street landowners.

- Strategic approach to targeting landowner groups to encourage collaboration required. E.G. targeting London based property owners, particularly with units facing Paddington Square and single ownership blocks. Working together will deliver benefits for all.

- Shape outdoor environment and shop sizes to boost viability to a wider range of quality F&B and Service occupiers. Occupier mix strategy must complement Paddington Square, not compete.

- Fast but high quality independent food operators would align strongest with the affluent worker and residential catchment and station footfall. Attracting high quality independents in this category is key to delivering a unique experience on Praed Street, whilst also complementing the F&B mix at Paddington Square.

Colliers INTERNATIONAL

6

PaddingtonNow

Praed Street Vision

THREE KEY PILLARS

Shop Sizes
- 800-1,000sqft requirements
- Target Ownership Clusters

Shopping Environment
- Traffic Calming / Reduction / Removal
- Encourage Outdoor Dwell

Occupier Mix
- Build on F&B and Retail Service Mix
- Complement Paddington Square

ACTION PLAN

	City Plan - Key Points for Praed St Vision
1	Further diversification of the evening and night-time economy will be supported, inc enhancements to cultural offer.
2	Inclusive and high-quality public realm that enhances sense of place and encourages dwell.
3	Reduced severance from surrounding areas including Praed Street town centre.
4	Improvement to the appearance and the quality of the retail offer on Praed Street are supported.
5	Secure the conservation and continued beneficial use of heritage assets through sensitive adaptation, while allowing them to meet changing needs.
6	Developments should strengthen links with neighbouring areas including Praed Street.

	Paddington BID Actions
1	The council publishes a statement of licensing policy at least every 5 years – the latest revision was Jan 2016. Monitor future revisions to limit impact to future diversification of Praed St night time economy.
2	Create more pedestrian friendly environment through investment including: widening pavements, defined taxi and cycle areas and traffic calming measures.
3	Relaxing planning restrictions for change of use to A3 and combining units for A1 or A3 use. Encourage approval for applications for outdoor seating on Praed Street.
4	Extending licencing hours for local F&B operators, to fulfil evening economy potential from station passengers, hotel residents and local workers.
5	Improve links with St. Mary's Hospital to encourage visits to Praed Street. Including internal signage and local area maps.
6	Delivery of cultural programme for Praed Street & Paddington Station

Colliers INTERNATIONAL

PaddingtonNow

Colliers Insights Platform - Overview

Colliers Insights Platform is powered by two core sources of data: geographic data (geofences) and mobility data. The mobility data comes as GPS location data from smartphones. This provides 'always on' location information at approximately 10 minute intervals. The geographic data is a database of all places (e.g. stores, shopping centres, high streets) across the country.

Data is derived from 80+ data, covering over 10 million active smartphone users. Data providers include:
- Human mobility data
- GPS from mobile phone apps
- Telecoms providers
- Wifi providers

The providers of mobile data insights above, aggregate and anonymise all location based visitor data and have strict privacy controls in place. No individuals are ever identifiable or personal data shared. Use of this data is fully GDPR compliant.

Platform harnesses 100+ terabytes of data generated from c.15% of devices across the UK. Advanced A.I removes data 'noise', extracts correct device signals and intelligently builds the complete view for any point of interest.

Product is regularly tested & updated and delivers insights over any specified real-time or historical time period (inc. daily, weekly, monthly metrics). The platform has capability to provide immediate data for benchmarking like-for-like performance, without the need for hardware installation.

Quality Checks

Ground truth verification is executed in different ways:

- **Manual:** employment of contractors to manually count visitations to stores & locations, in the 'old fashioned' way.

- **Third Party Verification:** Delivery of third party data sets from alternative providers, for a comparison and to provide feedback for algorithms where necessary.

- **Publically available data / reporting:** cross-check publically available datasets on footfall (e.g. town centres / streets / official reports), with our insights.
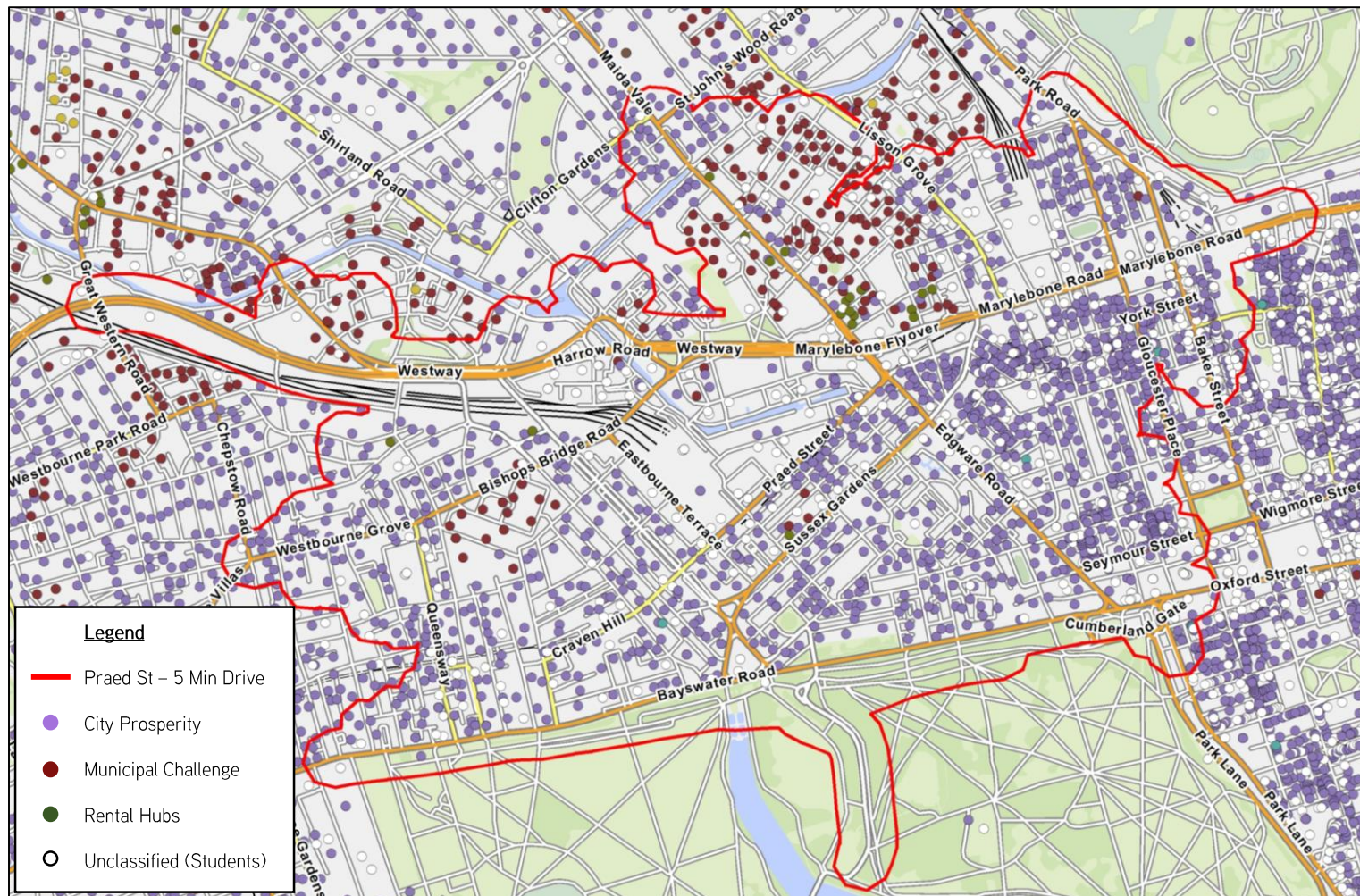
8

Praed Street Boundary – Insights Platform

Praed Street Vision | PaddingtonNOW BID | Colliers International
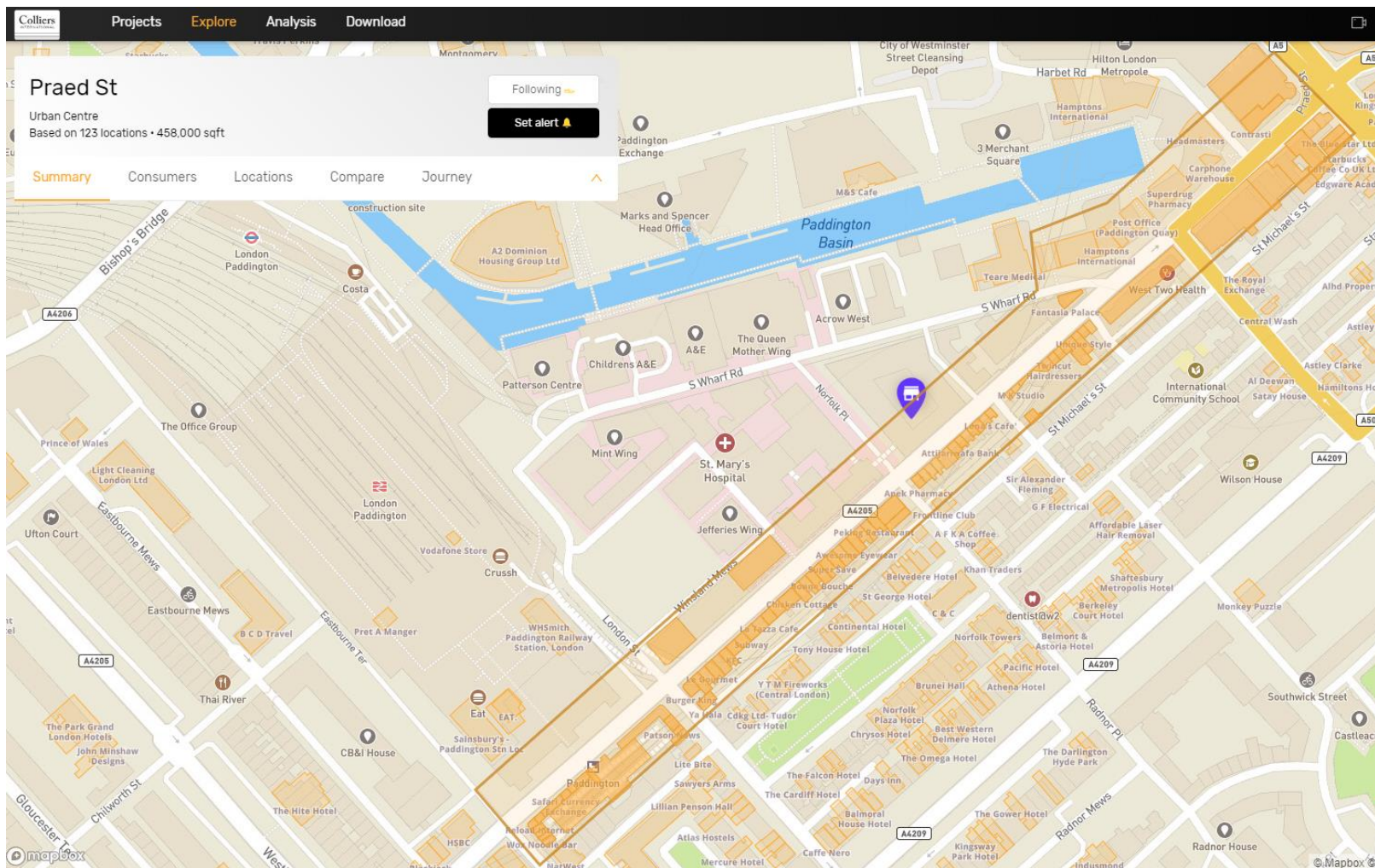
Spring & London Street Boundaries
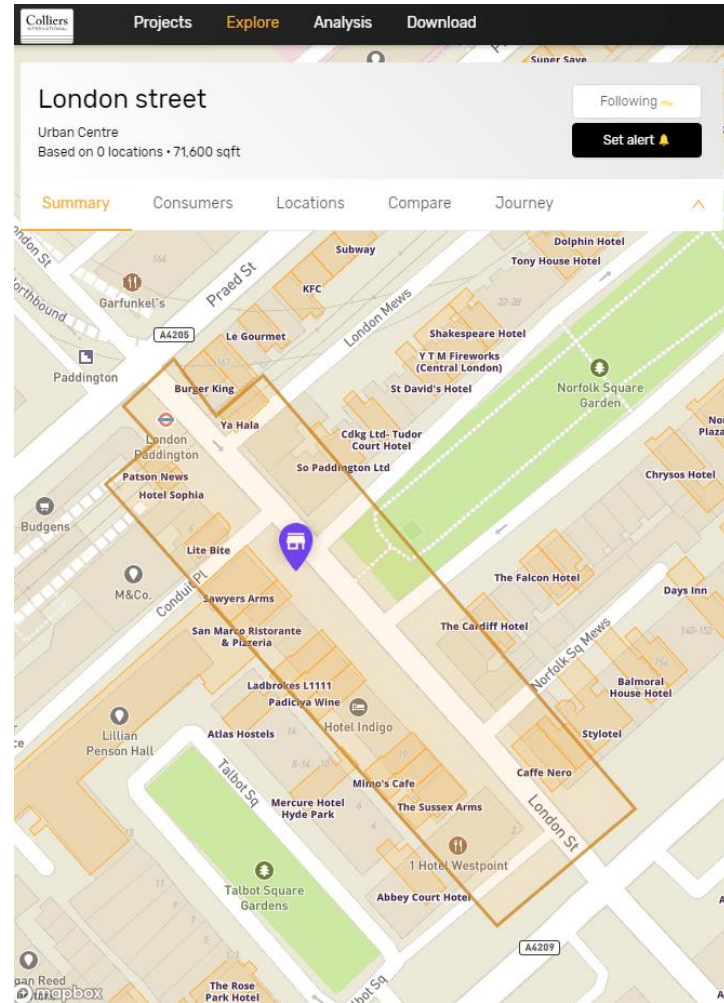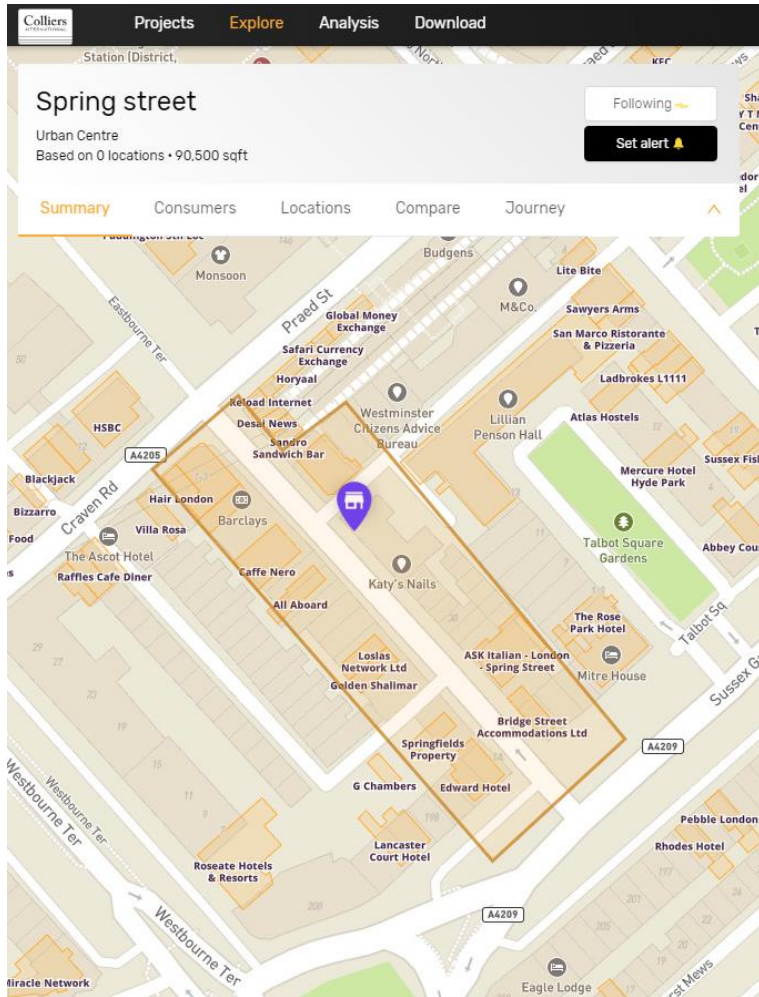
Defining Catchment Geography

PRAED STREET CATCHMENT & MOSAIC SEGMENTATION

What do the points represent?

This map displays dominant Mosaic group by 'Post Code Point'.

Nationally, there are over 1.7 million postcode points.

Each point represents an average of 15 adjoining addresses, to provide the finest level of granularity for thematic mapping.

Use of this technique shows how the headline Mosaic segmentation figures stated on Page 14 are distributed across the five minute drive catchment from Praed Street.

Legend

— Praed St – 5 Min Drive

● City Prosperity

● Municipal Challenge

● Rental Hubs

○ Unclassified (Students)