The UK Film and Television Studio Market

Taking Centre Stage

2022

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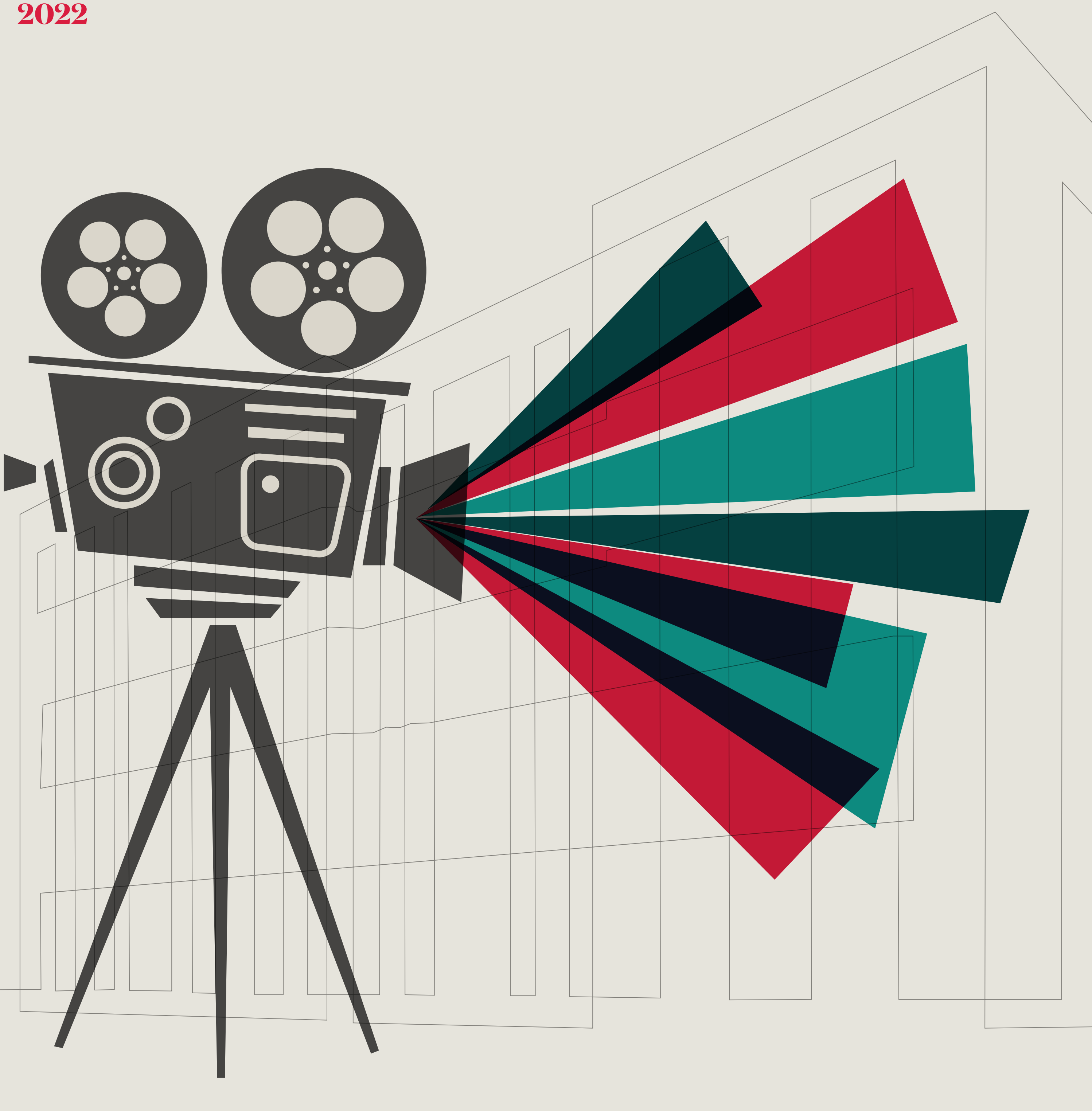

10 KEY POINTS

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The supply of film studios on offer is insufficient to keep pace with the rising demand for new content. This shortage is placing sustained upward pressure on rents, driving the case for new development and investment in the sector.

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As demand for new stage space expands across the UK, a key pressure point on the industry is the increasing shortage of skilled crew to meet this demand.

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Major streaming platforms such as Netflix, Amazon Prime, and Disney+ are continuing to invest in British TV and film production, evidenced by their announcements in both co-production and original productions. These companies are making long term commitments to production in the UK, taking long leases on studios and/or sites and investing in training for crew.

4

London and the South East remain the focus for film and TV production, accounting for 60% of the current studio stock. Growth in both domestic and international streaming markets is likely to mean continued strong demand for studio space in and around the capital.

5

The landscape of studio space is expected to evolve considerably over the coming years. The government's levelling-up program may look to incentivise further investment and encourage more production companies to locate and invest in other cities and locations outside of the M25.

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If growth in the sector is sustained, an estimated 63,000 jobs will be created in the screen industries across the UK by 2025 (Knight Frank Research).

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Major studios, production companies and new studio operators are committing to space for longer and converting and adapting industrial space to satisfy their requirements. However, the structure of many industrial units and the level of conversion/retrofitting costs required to bring the unit 'stage ready' can pose a challenge.

8

Average spend per production is unlikely to maintain its recent pace of growth over the next five years, though it is expected to rise and this will mean more demand for large-scale, high-quality production facilities.

9

Feature film and HETV production spend in the UK rose from £2.85 billion in 2016 to £5.64 billion in 2021. If production spend over the next five years follows the same growth trajectory, we could expect it to reach £11.16 billion by 2026 (Knight Frank Research).

10

There are currently around 6 million sq ft of production facilities, and with total production spend forecast to double over the next five years, it is reasonable to assume that space requirements increase by a similar proportion. This would mean an additional 6 million sq ft of space needed (2022-2026) (Knight Frank Research).

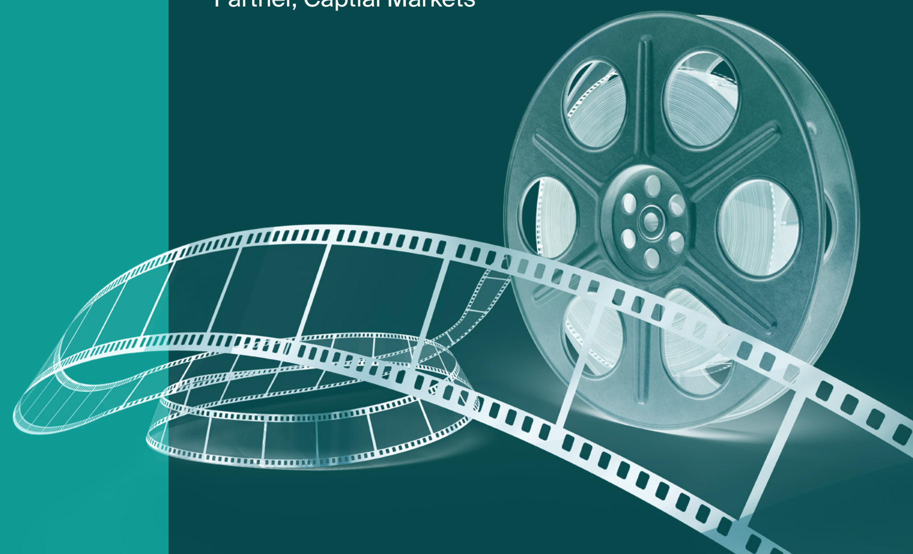
Foreword

The growth of a diverse production industry in the UK coupled with well-capitalised major players is driving demand for, and investment in, high specification production facilities. The rise in demand for new production is driving the sector to provide more, better quality space which in turn provides opportunity for investors and developers.

The varied landscape of the industry means a range of opportunities, with requirements for studios ranging in size as well as demand for supporting businesses and facilities. Institutional investors and private equity funds along with UHNWIs are starting to take interest.

The growth of the sector is also driving broader economic benefits and helping boost demand for other property sectors, most notably for industrial warehouse properties. The growth of creative hubs and mixed-use developments are creating a ripple effect, helping boost demand for other services and impacting positively on residential values in these locations.

Freddie Owen
Partner, Captial Markets



OVERVIEW OF THE SCREEN INDUSTRY & FILM STUDIOS SECTOR

The dynamics of the UK film and TV industry are undergoing extraordinary changes, buoyed by the rapid growth in demand for original content from broadcasters, studios and streaming services as well as continued demand for feature film content.

While online streaming services had been booming long before the Covid-19 pandemic began, production in the industry underwent a temporary pause in March 2020 before readjusting in mid-2020, with increasing consumer demand during lockdowns resulting in production levels now soaring to unprecedented new heights. Employment in the creative sector is rising and key metrics such as production spend, streaming revenue and inward investment are all reaching new records.

The UK has for many years proved extremely popular as a base for screen production, underpinned by a combination of key market fundamentals including generous tax incentives, a highly skilled workforce and talent base, its world-class production facilities, and not least its indigenous natural landscape and scenery.

From a real estate perspective, the sector is suffering from an increasing shortage of purpose-built studio space, leading to surging rents and rising capital values. As a result, the market is seeing a growing number of new investors and existing landlords looking to take advantage of the robust occupier market, evidenced by a wealth of capital now flowing into the studio sector.

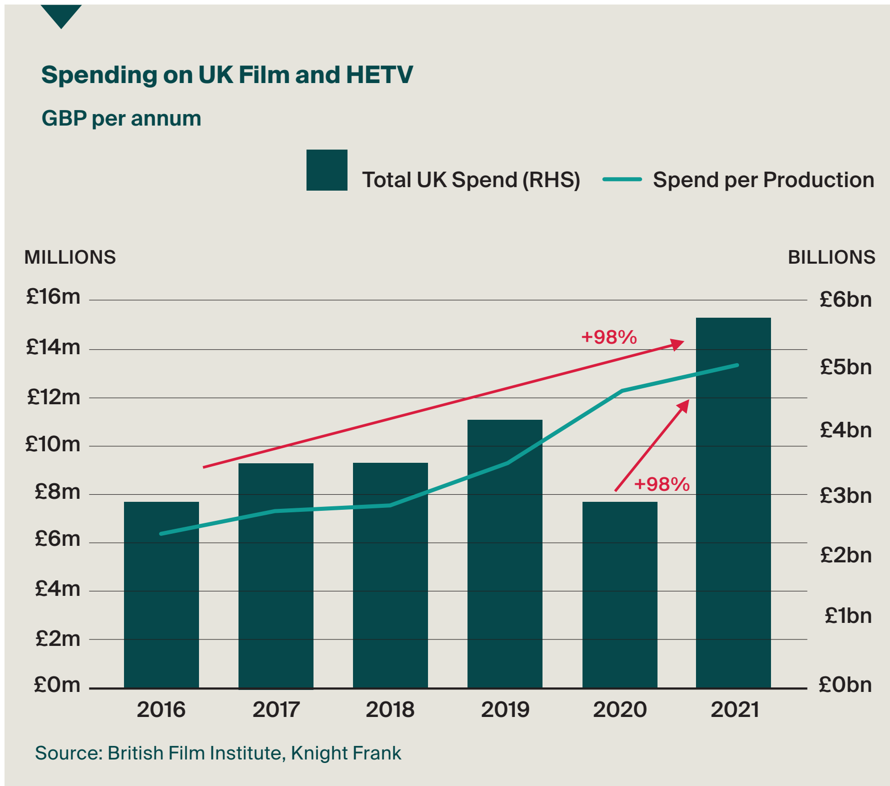
The growing occupier market presents a range of opportunities for the property sector. Not only for investors and developers of purpose-built production facilities but also for the industrial and logistics sector, where large warehouses may be used to house production sets and smaller units may be demanded by supporting industries such as prop makers, lighting suppliers and other companies working in parallel to the industry.

The production industry: Content, investment and production spend

The UK has a mature and robust ecosystem of film and content production and was able to bounce back quickly and effectively following the onset of Covid-19 and this has given the country a competitive edge as a location of choice.

The production industry plays an important role in UK economic growth. Research by the British Film Institute (BFI) demonstrated a £12.4 billion (GVA) return from the UK government's screen tax reliefs in 2019. The research also estimated £131.6 million spent on building or expanding UK studios between 2017 and 2019, and an additional £3.6 billion in tax revenue was generated through capital investment into the sector's facilities and services. A record number of jobs were generated across the UK, with the BFI estimating that when ripple effects of the sector such as tourism, merchandise licensing and sales, and brand promotion are accounted for, the number of full-time jobs increased by 20% between 2017 and 2019, while an estimated £131.6 million was spent on building or expanding UK studios in the same three-year period, with knock-on job creation for other industries.

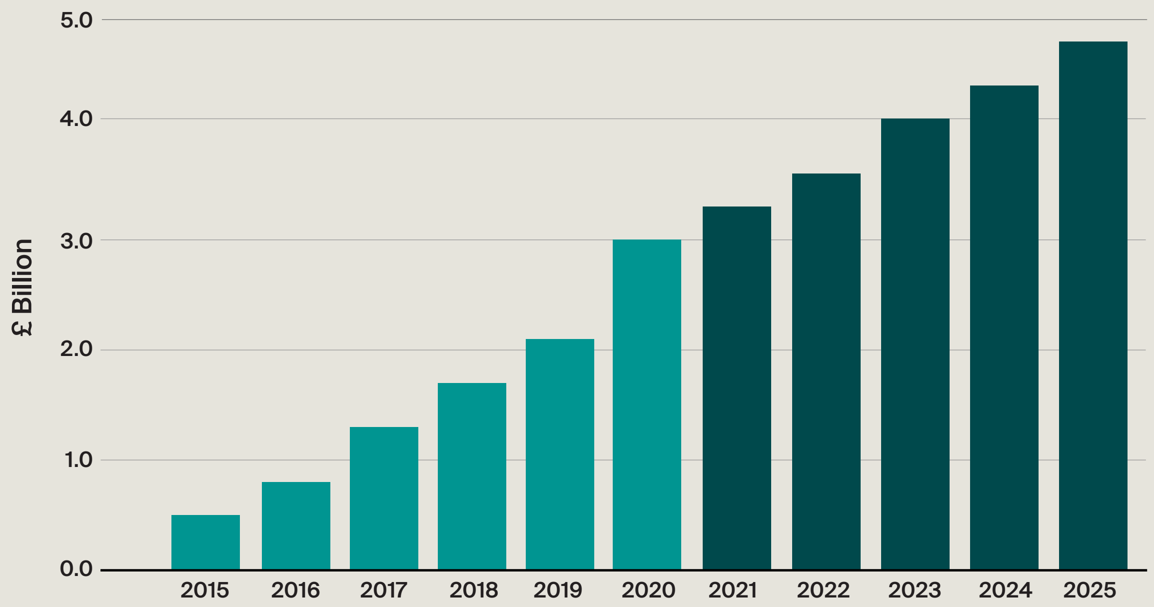
2021 was a record year for the sector, with the total spend in the UK on the production of films and HETV surpassing pre-pandemic levels to reach £5.6 billion. This figure has almost doubled across five years, from £2.8 billion in 2016. The average spend per production increased by 119% during this same period, from £6.1 million in 2016 to a new record of £13.4 million in 2021. HBO's Game of Thrones reportedly costing around £12 million per episode (later seasons) and Amazon Prime are reported to have a budget of US$1 billion for production of their Lord of the Rings prequel. This highlights the increasing financial importance of large-scale productions to the UK film industry, with the UK's world-leading production crew and facilities in high demand from the largest content producers.



Streaming revenue

While the US continues to lead the way in video streaming with the highest revenue per user, the UK has witnessed sustained growth in recent years. A five-fold increase in app streaming revenue was recorded between 2015 and 2020, according to research by Business of Apps, reaching £3 billion in 2020 and £3.3 billion anticipated for 2021, with continued growth forecast over the coming years.

UK Video Streaming App Revenue



Source: Knight Frank Research, Business of Apps

The increase in streaming is key to driving additional need for content. Alongside Netflix, Disney+ and Amazon Prime, traditional broadcasters such as BBC and Channel 4 are also increasing content, in part due to rising demand for their productions and commissions from streaming platforms, with the Crown being a prime example. There is an increasing number of platforms that want to control the production of new content and therefore having their own studios in which to film this content enables them to better control and grow their pipeline of content.

Despite being a smaller market compared with the US and China, the UK has seen the strongest growth of the three. Annual streaming revenue in the UK increased by 500% since 2015, while the US overtook China as the most lucrative of these markets, with growth of 239% and 135% respectively in the same period.

BBC and ITV remain the powerhouses of UK TV production. However, Netflix, Amazon Prime and Disney+ have all pledged to continue to invest in British TV and filmmaking and this is evidenced by such companies taking huge amounts of studio space in the UK. Netflix signed for space at Segro Park, Enfield, while it plans to double the size of its production base at Shepperton Studios. Amazon Prime has recently agreed a long lease (over 10-years) on 450,000 sq ft across nine sound stages, workshops and offices at Shepperton Studios. It will use the space to create exclusive content for its online media channels. Disney has a similar large-scale deal at Pinewood Studios, where Star Wars and Marvel films are based, and Apple has secured facilities in Aylesbury, Buckinghamshire. Apple have taken two warehouse facilities at Symmetry Park to be fitted out to create a film production facility.

The streaming wars have sparked a response from traditional broadcasters, with Sky unveiling its biggest-ever slate of original content, investing in 125 TV series and films this year. ComCast (who own Sky and NBC Universal) is committed to building a new large-scale complex at Elstree in Hertfordshire. Legal & General will be financing and developing the scheme. Once completed the studio is expected to create 2,000 jobs and attract a production spend of £3 billion in the first five years. Warner Bros are also planning expansion at their studios in Leavesden. Warner Bros have been filming at the site since 2012 and it is the preferred destination for the making of some of the biggest films including Harry Potter, Fast and Furious and Fantastic Beasts. Their plans for the site include the construction of 11 sound stages, four production buildings, and three workshops.

This growing demand for UK studio space by the largest content producers has meant that existing UK studios such as Pinewood, Shepperton, Elstree and Leavesden are booked out for years in advance. The shortage of space is driving the case for development and is placing sustained upward pressure on rents. Content producers need the certainty of being able to secure space, and as they produce more and more content, they can increasingly justify securing their own facilities, rather than renting on a short-term basis. This in turn is driving longer lease lengths for best-in-class, purpose-built assets and high quality conversions, thus the sector is becoming increasingly attractive for institutional investors.

It is not only the content producers themselves that are investing in and seeking to secure studio space. Established film studio platform operators that rent out space to content producers on a short term basis are also investing in and building new production facilities in the UK. Blackstone and Hudson Pacific Properties are planning a c.£700 million film, TV and digital production complex in Broxbourne, Hertfordshire. The project will be the partners first expansion of their Sunset Studios platform outside of the US.

KEY DRIVERS

Why is the UK so effective in attracting TV and film production?

The UK has a world-renowned base of talent and creative businesses. A combination of its specialised offering of physical infrastructure and facilities, skilled and experienced crew and talent, ever-developing supply-chain businesses and supportive fiscal environment created by the UK's creative sector's tax reliefs is driving the continued attraction of US and other international media production companies. Over the years, this has made the UK a natural and often first port of call for production.

Tax reliefs and other initiatives

Local, regional and national governments are competing to attract film studios and content producers through tax incentives and such incentive offerings have become the cornerstone of production companies' financing plans. According to Olsberg SPI, there are now around 100 incentive offers at country, state and provincial level worldwide, all competing with each other to attract the next big film or HETV series.

At a national level the UK offers tax relief of 25%, over time this government backing has made the UK a competitive and stable location for investment and given that UK tax incentives are supported by both major parties, the UK will continue to be an attractive place to produce film and TV content.

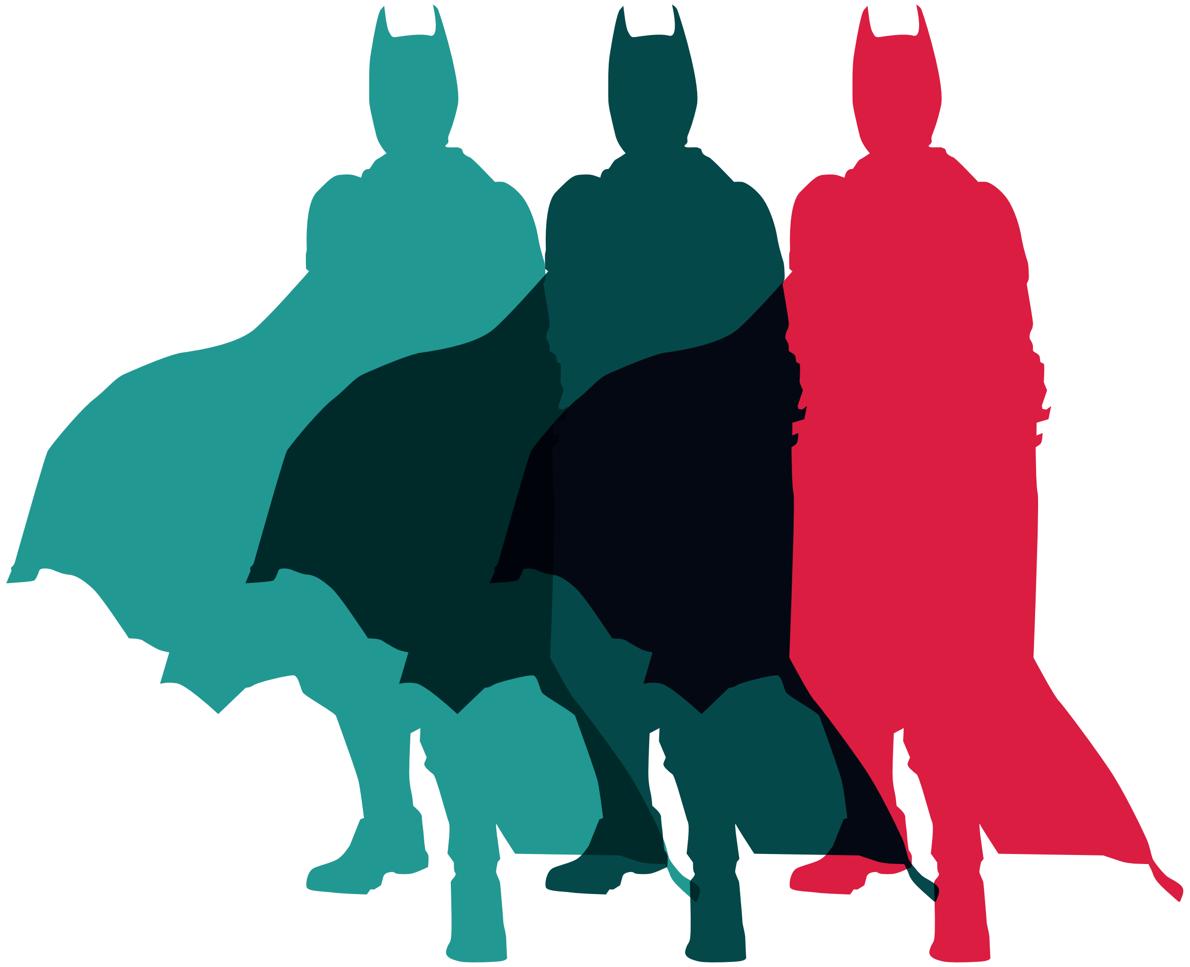
The government provided assistance to the industry in response to Covid-19 and its impact on production schedules, providing an indemnity scheme worth £500 million, offering insurance for Covid-related costs and helping firms get back into production. By the end of 2021, the scheme had supported 1,105 productions with a production budget of £2.8 billion and protected over 90,000 jobs.

At a regional and local level, several councils and combined authorities are also committed to supporting the growth of the creative industries, successfully securing funding and are using tools from Business Improvement Districts and Enterprise Zones to encourage the creative sector into their markets. Incentives include business rates discounts and start-up support in zones such as the North Kent Enterprise Zone and the Boho Zone in Middlesbrough, while in Leeds City Region, 'The Creative Catalyst' is a £1.5m scheme supporting 15 independent TV and film production companies in developing higher volumes and higher values of new content.

Culture and location

The UK, and London in particular, are well-positioned both from a cultural and geographical standpoint to attract major international media production companies. Along with being an English-speaking nation with a high standard of living, high-quality infrastructure and a wide variety of amenity offerings, its world-class film studios present a significant draw for production companies who have a European script but who may be looking for an English-speaking base with suitable air transportation links.

In addition, while British actors are in high demand, most international stars are happy to work for long periods in the UK resulting in a need to rent or purchase homes, particularly in London and the South East. Residential landlords are often open to the idea of renting out their property to tenants from the film and TV industry who spend a lot of their time on set, which reduces wear and tear. The number of residential letting enquiries and deals agreed from the film and TV industry were approximately one-third higher in 2021, compared with 2019 (source: Knight Frank). While international stars often take short lets in London and the South East, a growing number of high-end television productions means lengthier shoots and longer-term residential tenancies are thus becoming more common. Accessibility is key, with West London, Hertfordshire and the Home Counties proving particularly in demand locations due to proximity to the expanding major studios.



High calibre crew and talent

The demand for more and more content production and increased studio space brings an equal focus on increasing the crew base. The UK has a high calibre of both crew and talent already embedded here and the necessity to bring a crew from abroad is low. Not only is this the case in London and the South East but also across the regions, with several creative clusters across the UK benefitting from their own organic crew base. In addition, the UK remains attractive to international talent and student base, driven by its underlined and growing reputation as a creative nation, while the wide range of diverse cultures, in a location with English as a common language, enables the UK to attract both business and people.

CHALLENGES, SOLUTIONS AND OPPORTUNITIES

What are the key challenges faced by the sector and can solutions bring opportunity?

Demand for studio space outweighs supply

Challenge: As the UK production sector rises, it is becoming increasingly clear that the supply of studio space available to film new content is insufficient to meet this growing demand.

Whilst the UK currently benefits from approximately 6 million sq ft of stage facilities (units >5,000 sq ft), much of this comprises repurposed buildings or older facilities. The sector is seeing existing sound stage space increasingly oversubscribed, and both international and UK film and TV production companies are finding it extremely difficult to find suitable space, particularly around London and the South East.

Solution & opportunity: Historically, where production companies' demand for space was featured in short-term agreements on sites for one-off films or TV shows, companies such as Netflix, Disney+ and Amazon Prime are now taking master leases on whole sites for much longer periods. Not only does this provide such companies with the ability to effectively maintain access to those facilities on a longer-term basis, which they require to keep pace with demand, it is also a de-risk from a landlord or investor perspective. Similarly, where studio clients traditionally had little or no interest in infrastructure investment and build-to-suit options, they are now having to consider this in their expansion plans due to the capacity constraints and this is a trend that we expect to continue.

Larger international operators are looking to take advantage of this, particularly in London and South East, but also in the North West, Yorkshire and the Humber, Wales, Scotland, Northern Ireland and the Republic of Ireland. The imbalance between supply and demand is, in turn, drawing international investors to the UK, particularly from North America, who are increasingly incentivised by longer leases coupled with rising rents and capital values.

There is also clear evidence of a growing number of warehouse conversions in and around the M25. Large warehouses owned by major funds are seeing major production studios and studio operators committing to space on long term leases of five, ten or more years, and converting and adapting the space for long-term use. With the studio operator rather than the investor / landlord agreeing to taking on the risks associated with short term leases, void periods and the need for intensive management commitments. Where production companies or studio operators are considering industrial warehouses for conversion, they will typically require a long term lease on a large unit and will commit significant cap ex to the facility in order to bring forward a high-quality offering. This is a favourable risk profile for institutional investors.

While many industrial warehouses might be suitable in terms of size, the structure of the building itself and the level of conversion/ retrofitting costs associated to bring the unit to the level required for stage production can be prohibitive. Parking is also a big issue; hours of film production can be very flexible so parking requirements are generally larger than a typical warehouse site can offer.

"The Crew Crisis"

Challenge: As demand for new stage space continues to expand across the UK and the corresponding demand for crew growing in tandem, the key pressure point on the industry is the increasing lack of securing film directors and skilled crew to meet this demand.

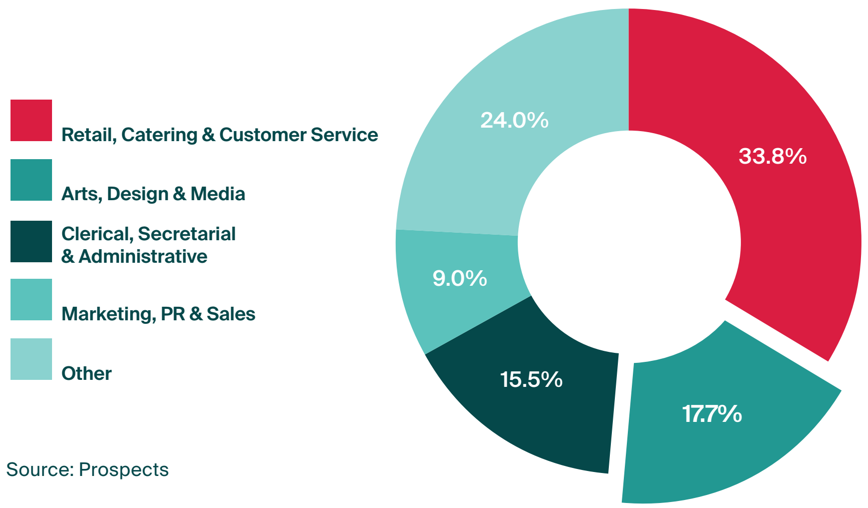
Staffing issues are at present the single biggest threat to the industry and this must be addressed to ensure the UK maintains its attractiveness as a competitive destination for investment.

Growth of the labour market

External factors bringing about change in this industry are having a significant impact on the sector's labour market, particularly in terms of the number of jobs required and skills needed. Drawing on official Labour Force Survey data from the ONS and using the Standard Industrial Classification system (SIC) to classify the screen industries, Knight Frank Research estimates that approximately 228,000 workers were employed in the

Film Production Graduate Employment 2020

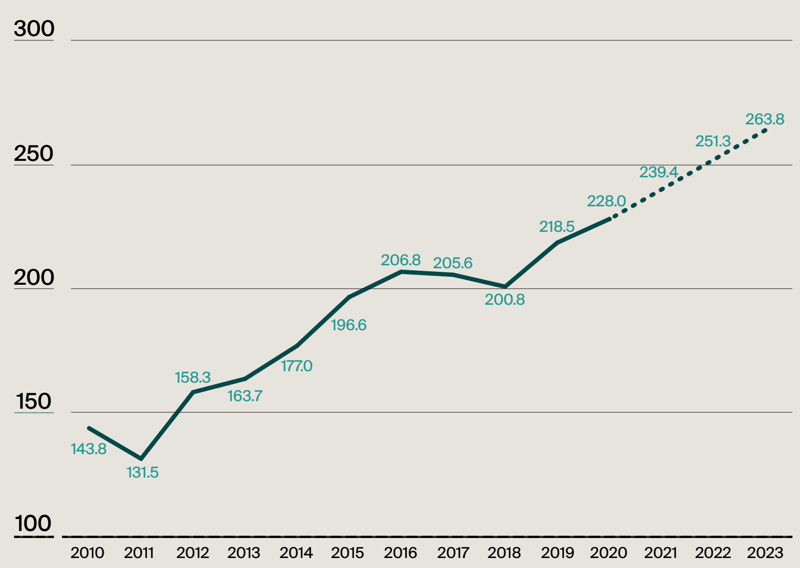
% of graduates in work



Source: Prospects

UK Screen Industries Employment

Jobs '000s



Source: ONS, Knight Frank Research

Screen Industries in 2020. Using these same five-digit SIC codes to capture various represented jobs in the industry, an average rate of employment growth of 5.0% was recorded in the screen industries over the ten-year period (2010-2020).

"Assuming that this robust level of growth (5% p.a.) will be sustained, the screen industries could see an increase of approximately 36,000 jobs by 2023, to 264,000. Or an additional 64,000 jobs by 2025."

The so-called "crew crisis" drives home the benefits of creating more defined pathways for talent development and retention within the sector. According to figures released by Prospects, just 17.7% of film production graduates are employed within arts, design and media industries (as of March 2020), with the remainder working within retail, administration, marketing, sales and PR. Given the value of the film and HETV industry to the wider UK economy, there is a compelling argument to be made for the implementation of support structures to cultivate a deeper talent pool if the UK is to maintain its position as a global industry leader.

"The development of supporting industries, and the talent which underpins them, requires investment proportionate to the expansion of the wider sector if current production growth is to be sustained."

Solution & opportunity: Increased collaboration is needed between private enterprises, education providers and government to ensure the long term health of the industry is supported by a talented crew base. All of the big players, including the BFC, ScreenSkills, media production companies, studio operators, universities, and other further or higher education institutes, are working together to see how this issue can be overcome through investment in targeted training courses to increase access to experienced and diverse crew.

The BFC recently announced an extension of its partnership with The Production Guild of Great Britain (PGGB), investing a further £100k in targeted training courses that are designed to increase access to skilled crew. The funding, the second made to PCGB, the BFC under the government-backed Stage Space Support & Development Strategy, will enable PGGB to deliver training for three key production office roles identified by the industry as needing urgent support. The rise in demand for streaming services is putting additional pressures on the industry, resulting in major media producers proactively seeking solutions. Key examples include Amazon committing to create 1,000 apprenticeships, while Netflix operates a range of training schemes, including the £1.2 million Grow Creative UK, which supported 1,000 apprentices in 2021.

Links with further or higher education are important, as has been the case just recently at Shinfield Studios and the University of Reading. While studios provide students with valuable industry experience and offer a route into the sector, studios benefit from a young, educated talent pool. Close links between education and industry can help shape the curriculum and better prepare graduates for work within the industry.

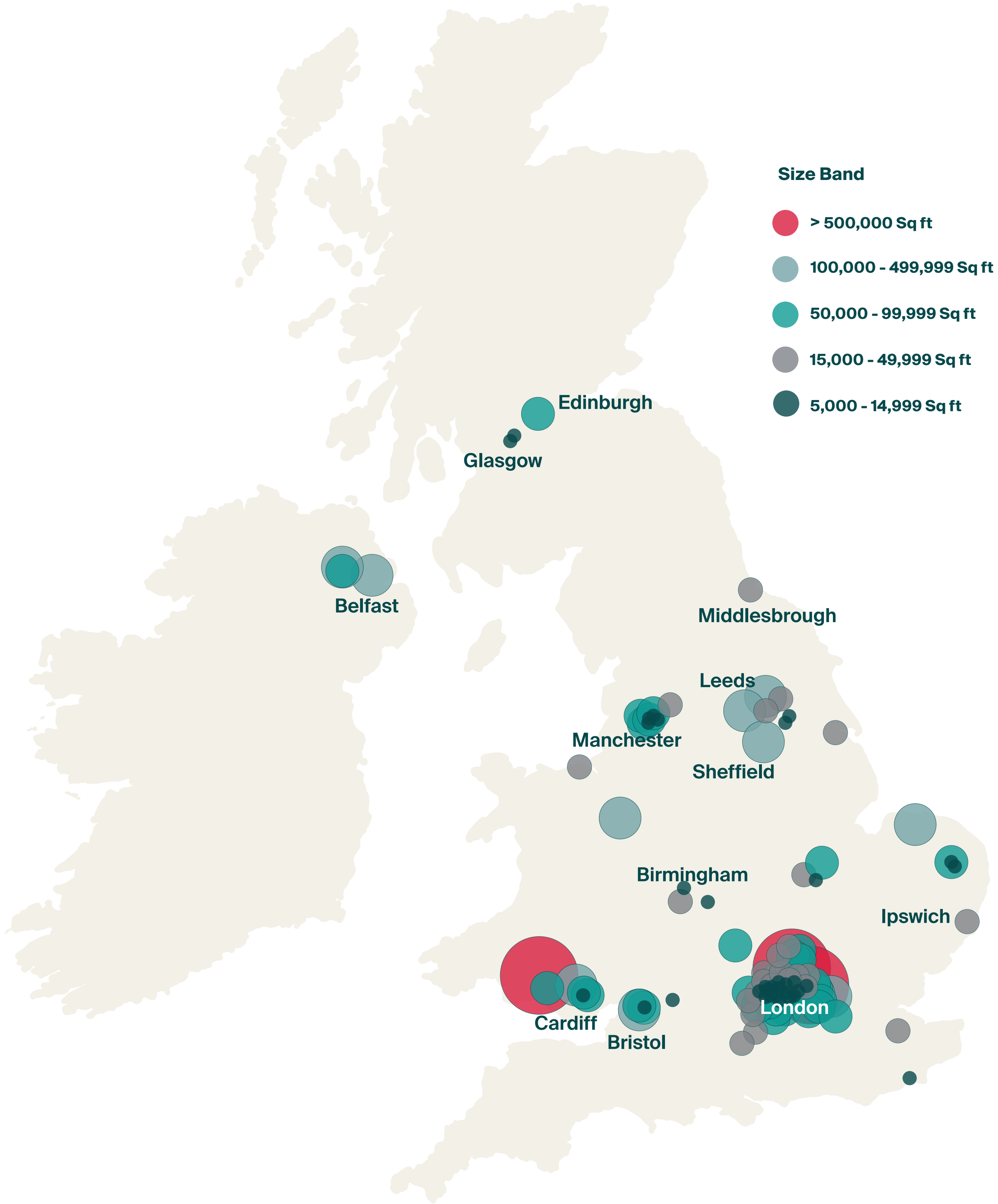
Locations that can offer a talented and experienced crew base will be best placed to attract studios and benefit from the growth of the sector.

FACILITIES

The UK has c.6 million sq ft of general stage facilities (units > 5,000 sq ft).

THE UK FILM AND TELEVISION STUDIO MARKET 2022

Stock of TV and Film Studios by size band



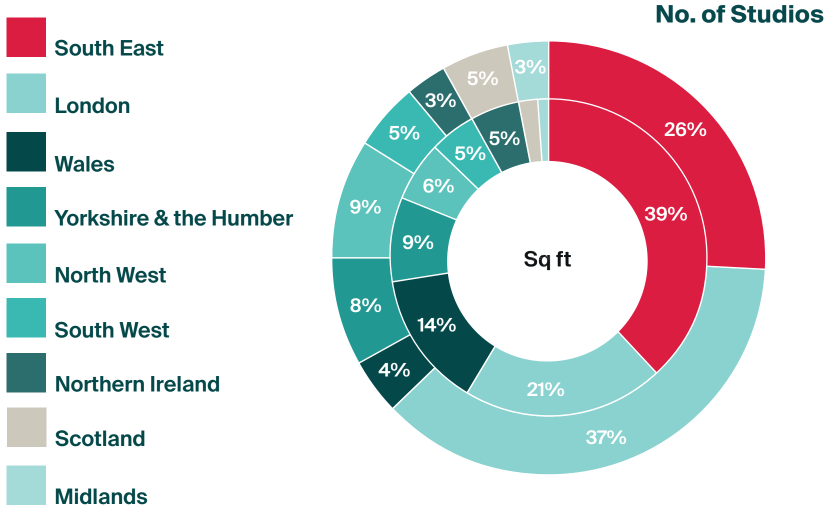
Regional distribution of facilities

London and the South East account for 60% of this space (39% in the South East region and 21% in London) with 14% in Wales and 9% in the North West. In terms of the number of studios across the UK, London dominates the market accounting for 37% of studios, with the South East at 26%, and the North West, at 9%.

Only two regions benefit from very large-scale studios (greater than 500,000 sq ft). Two of these are located in the South East and one in Cardiff. In contrast, one-third of film studios by count are in the smaller size bracket of 5,000-15,000 sq ft. However, with numerous large-scale projects planned across the UK, the nature and landscape of large studio space is expected to evolve considerably over the next five years.

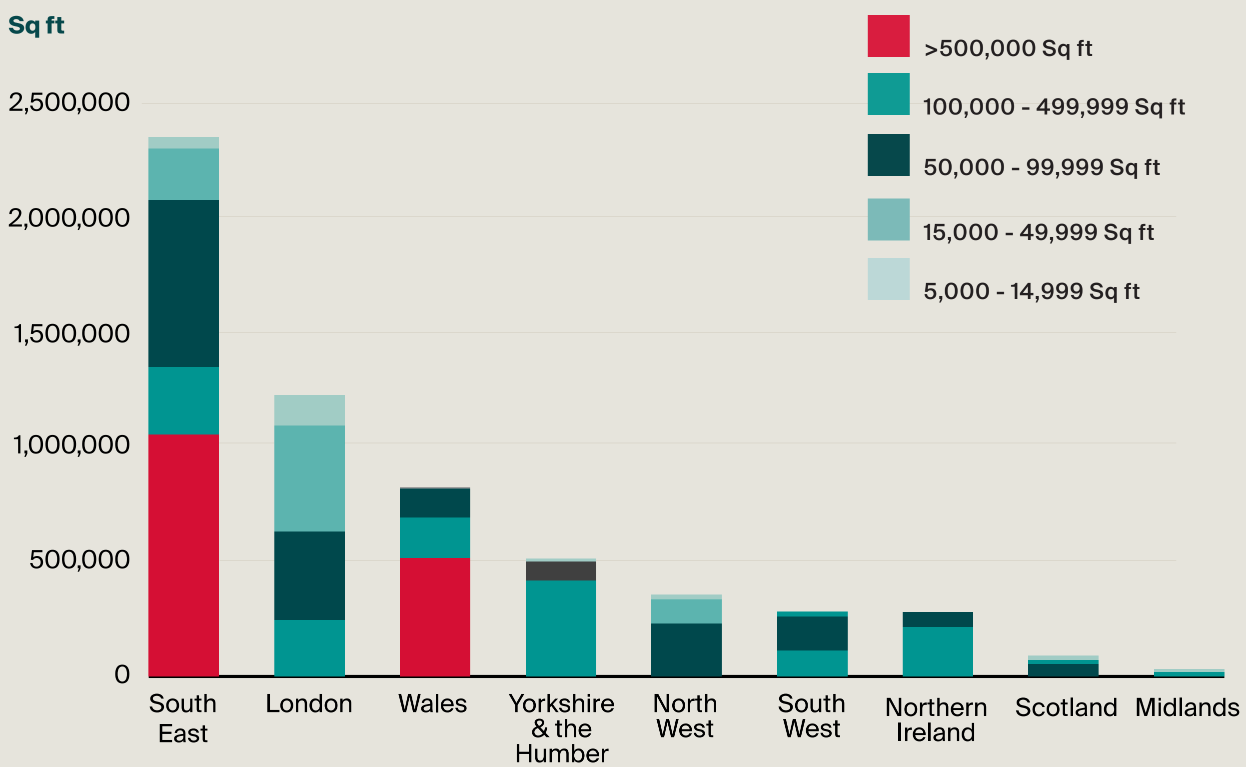
Stock of Film Studios by Region

Sq ft vs No. of studios



Source: Knight Frank Research

Stock of Film Studios by Region & Lot Size

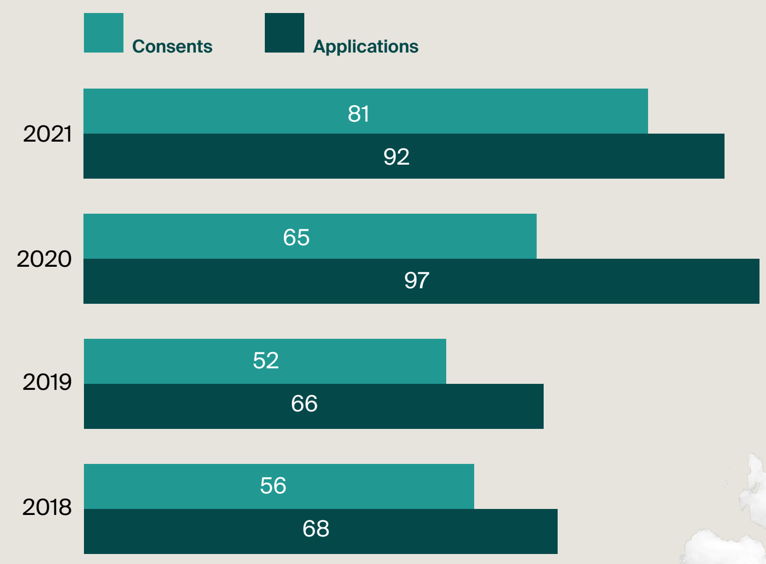


Source: Knight Frank Research

Top 10 UK Studio Development Schemes

New studios/stages announced	Stages	Approximate Sq ft of stages	Planning/construction status
Pinewood Shepperton	14	465,000	Under construction (2023)
Sunset Studios, Waltham Cross	21	460,000	Planning application pending
Shinfield Studios, Reading	18	440,000	Under construction (2023)
Sky Studios Elstree	13	300,000	Under construction (2022)
Warner Bros Studios Leavesden	11	295,000	Planning application pending
Eastbrook Studios, Dagenham	12	252,000	Under construction (2023)
Bray Studios	10	150,000	Planning approved
Pinewood Studios	6	120,000	Planning approved
Winnersh Studios	6	120,000	Under construction (2022)
Wharf Studios, Barking	6	100,000	Redevelopment (2022)

Film Studios Planning Applications

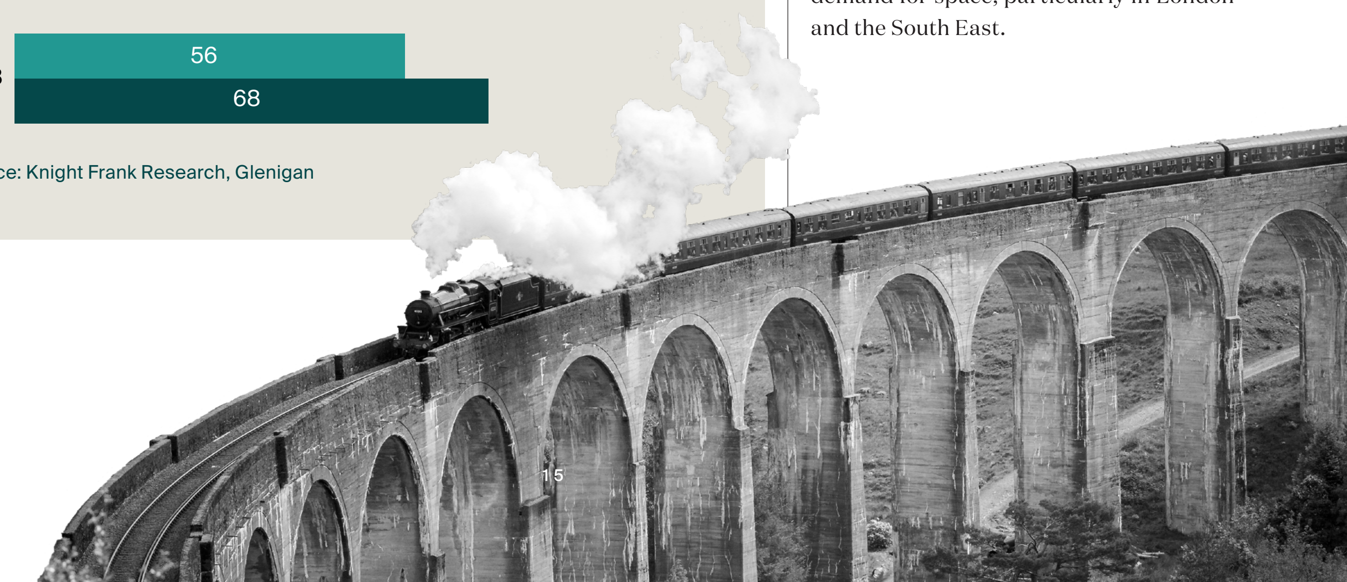


Source: Knight Frank Research, Glenigan

Development pipeline

The shortage of studio space has triggered a wave of plans and proposals for new purpose-built studio space across the UK. The number of planning consents for film studios has increased by 45% between 2018 and 2021, while applications are up 35%. It's worth noting that not all consented developments materialise due to development costs, funding, and planning obstacles.

Investors and developers who can bring high-quality, well-located developments to the market in the next few years will be well-positioned to benefit from surging demand for space, particularly in London and the South East.



Recent changes to the planning system have made change of use much simpler. Until 2020, the planning use class for film studios was Bl(c) – light industrial. Only buildings of the same use-class could be converted and used without permission. However, this changed in September 2020, with the newly created Class E. This includes offices and retail properties amongst others. In theory, this could enable empty retail units or office spaces to be converted to studio use without the need for planning consent.

Building specification requirements and considerations for conversions

Budget, location/sights, and the script, alongside a need for crew, are key to driving requirements in terms of the location and specification of facilities. While developments are underway, the current demand/supply imbalance, particularly in London and the South East, means that companies are looking at warehouses that could offer the potential for conversion.

But what makes a space suitable (or not)?

The high costs associated with converting space can be a high risk for production companies that may not have the volume of production to fill it constantly. However, the major streaming platforms are confident that they can utilise the space effectively due to their high content requirements and can therefore justify higher fit-out costs.

Longer leases are being driven, partly through the need to amortise this capital outlay over a longer period.

Key considerations

1. Location: Close to amenities, infrastructure, and crew base but away from flight paths and major roads (to avoid intrinsic noise).

2. Eaves height: Premium studios need a minimum of 35ft floor-to-grid height, prefer 40-50ft.

3. Ceilings: The ceiling must have sufficient load-bearing to enable the grid to hang lightening.

4. Sufficient floorspace: Based on individual requirements.

5. Column-free expanses required for large sets: This makes modern warehouses more suitable than older buildings or other use classes.

6. Sound-proofing: Or more typically – the ability to create it.

7. Additional land and parking facilities: Room for unit vehicles, staff parking. Often require space for exterior sets in the back-lot.

8. Secure site.

9. Sufficient office space.

10. Workshops: Onsite for the building of sets and scenery.

THE MAIN TYPES OF STUDIO FACILITY

Purpose-built
These tend to be used for large-scale, high-end film and TV work. They normally require a large site, with extensive external works for the accommodation gallery vans, trailers, and other production facilities. There are relatively few of these in the UK at present. The most notable include Pinewood, Shepperton, and the Warner Bros studio in Leavesden. There has been strong growth in demand for these types of facilities in recent years due to the boom in streaming platforms and the need for content. The major players in the streaming industry have sufficient capital and demand for content and can therefore fill the production schedule and meet the high capital expenditure requirements needed for these types of facilities.

Refurbished / Repurposed
These are buildings that have been refurbished to create studio space. Depending on their previous uses, they may require additional soundproofing to enable a suitable sound and light lock. There may be compromises in terms of ceiling height or layout due to building structure.

Flat or 'shiny floor' TV studios
These are typically used for light entertainment TV programs such as panel shows, game shows or talent shows, often filmed in front of a live audience.

Demountable and re-locatable
Flexibility and adaptability are becoming more important. Demountable stage space can be built more cheaply on open land than converting or repurposing an existing building. Stage Fifty has recently introduced a relocatable production space solution. These are temporary stages, albeit they are production-ready and built to a high specification with soundproofing and rigging. They can be built in around four months, range in size from 9,400 sq ft to 32,000 sq ft and have floor-to-grid heights of 10-15m.

Industrial warehouse (blank canvas)
These tend to be industrial warehouse units that can be used as a blank canvas to house production spaces. They are similar to a repurposed space, though they will lack soundproofing and other industry-specific considerations that will need to be catered for during fit-out. Within the warehouse, a production studio can be installed relatively quickly and cost-effectively, although creating enough space for production support can prove difficult.

OUTLOOK FOR THE SECTOR

1

Global demand for streaming to grow. Worldwide subscriptions to reach 1.6 billion by 2025.

Demand for streaming services and thus content is expected to rise significantly on a global basis. The number of global online video subscriptions rose 26% in 2020, to reach 1.2 billion subscriptions.

By 2025, the Motion Picture Associate forecast there will be 1.6 billion subscriptions worldwide. Growth is being driven by more platforms entering the streaming market and by a growing consumer base. As a result, audience demand for content is on the increase, and overall production spending is rising.

2

UK production spend to increase. Based on the historic growth trajectory, it could reach £11.2 billion by 2026.

Production spend in the UK rose from £2.85 billion in 2016 to £5.64 billion in 2021 (source: BFI), a compound annual growth rate of 14.6%. If the next five years follows the same trajectory, we could expect annual production spend to reach £11.16 billion by 2026. This would mean an additional spend of £5.52 billion per annum (source: Knight Frank Research).

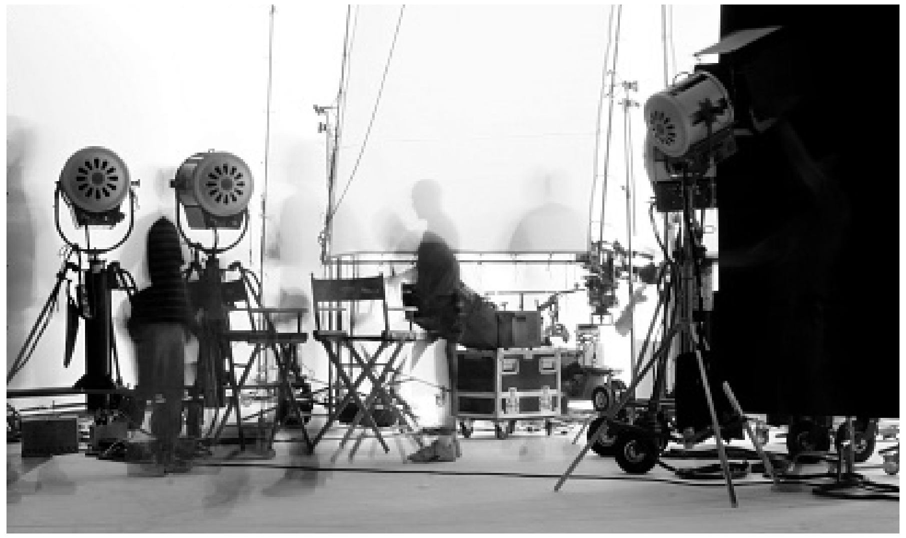
So, what would this additional production spend mean in terms of facility requirements?

3

The UK will need an additional 6 million sq ft of studio space in the next five years.

There are around 6 million sq ft of production facilities, and with production spend forecast to double over the next five years, space requirements will increase by a similar proportion. This would mean an additional 6 million sq ft of space needed (2022-2026).

There is clearly a demand for more space to produce this additional content but how will the type and quality of production change and how will this influence the location and specification of building requirements?



4

Production budgets are rising and this will boost demand for large-scale, high-quality facilities.

Budgets for productions are rising and this is expected to continue over the short to medium term as a growing number of streaming services compete for subscribers. In 2016, the average spend per production was £6.14 million, this had risen to £13.43 million by 2021. Spend per production is unlikely to maintain the same pace of growth over the next five years, though it is expected to rise and this will mean more demand for large-scale, high-quality production facilities.

5

Growth in streaming subscriptions in emerging markets will boost demand for production space, particularly in London.

The strongest growth in streaming subscription services has been in emerging economies. Growth in South America, Africa, and Asia has been outpacing that recorded in Europe and the US. The growth of these markets will not only drive up demand for content, but also a shift in the type of content these audiences want. While there is likely to be a widening in terms of the number of production bases globally, the UK has built a strong reputation for high-quality production and there is opportunity to build on this success. There is robust international demand for UK produced content, and the UK has an opportunity to capitalise on this and draw further investment from international film studios. The opportunity for this will be strongest in and around London, due to the city's international and multi-cultural nature and high level of amenities that appeal to an international talent base.

The continued growth in international streaming markets coupled with the clustering effect in London and the South East means that the region is likely to persist as the dominant location for production in the UK. This will result in continued pressure for facilities in the region. As a consequence, there is likely to be an increase in development activity, which is likely to comprise a mix of temporary stage space, purpose-built production facilities and warehouse conversions.

6

The government's "levelling-up" agenda could boost activity outside London.

That said, there is also likely to be pressure on the government to ensure their "levelling-up" agenda is pursued within the creative industries sector. Many of the British broadcasters such as the BBC, ITV and Channel 4 have been incentivised to relocate production away from London, to other parts of the UK. Will international production studios such as Netflix come under pressure to find locations beyond the M25?

The availability of crew is likely to constrain growth of the regional markets in the UK. However, purpose-built facilities or facilities that have been heavily invested in and have long-term tenant commitments are less likely to have void periods, particularly with rising demand for streaming content. This will therefore support more permanent, sustainable new jobs.

7

Larger platforms, longer-term commitments, and higher quality studio space will encourage more institutional investment.

Broadcasters, streamers, and production houses are increasingly committing to studio space on a long-term basis. This is acting to encourage more institutional investment.

The streaming market is expanding, with the number of providers on the rise. According to Flixed, there are now over 200 streaming providers worldwide. However, over the next five years, we expect to see consolidation in the streaming market, through a series of mergers, partnerships and acquisitions. In May 2021 Discovery announced plans to acquire WarnerMedia from AT&T, creating a giant content conglomerate, more able to complete with the largest platforms such as Netflix.

Consolidation will mean fewer, well-capitalised players, demanding high-quality production space and making long-term commitments to this space. As the major players grow in scale, their covenant strength and the quality of facilities they occupy will improve and attract more institutional capital into this growing real estate sector.

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