Intelligent Investment

UK TV and Film Industry Survey

REPORT

CBRE RESEARCH
May 2023

Introduction

The TV and Film industry has been growing at a rapid pace in recent years. This partly reflects a surge in global video-on-demand platforms where global subscription revenues have nearly tripled since 2017 to £68.3bn. The UK has been a benefactor of this growth, with the gross value of its Creative Industry sector, which includes TV and Film, having increased more than twice as fast as the wider economy, growing by 44% compared with 18% for the wider economy between 2010 and 2019. However, the market suffered a "COVID-related" dip in production activity, with a 25% fall in annual TV and Film production spend in 2020. This reflected social distancing and lockdown measures rather than consumer demand, which increased over the period. And production activity subsequently recovered, with the total combined spend on Film and high-end TV (HETV) production in the UK reaching £6.27bn in 2022, meaning UK production spend has grown on average 15% per year since 2018. Going forward, we expect demand for studio space to remain robust.

The UK has over 50 notable studio spaces which serve major feature film and HETV productions, as well as a growing number of independent studio spaces. The recent growth in the industry has meant the demand for production space is high and outweighs the available supply. However, the low information availability in an industry of high confidentiality makes tracking occupier demand very difficult. As a result, we have conducted a survey of 100 industry professionals whose main responsibility it is to select production space in order to gain a greater understanding of the challenges they face.

The findings reveal the challenge for the industry is not just limited to meeting the current undersupply of space. The clear message for market participants and studio operators is that new space fulfils the demands occupiers want from their space.

Key findings

01

The amount of space being demanded by TV and Film production in the UK has increased significantly. There were 195 UK based high-end TV (HETV) productions in 2022, the second highest year behind 2021, and an 26% increase from 2018.

02

Our respondents expect this growth to continue, with over half of our survey respondents wanting more space this year, and 52% of respondents expecting an increase in production budget in the next twelve months.

03

Filmmakers are finding it increasingly difficult to source quality production space. Only half of our respondents felt the quality of studio space was good. A fifth felt finding space would become more challenging over the next year.

04

While the quality of the associated amenity space was deemed good or adequate overall, there were significant areas of improvement required. A third of respondents felt the security was poor, and 25% rated the retail, accommodation and leisure facilities as poor.

05

A large majority of occupiers felt sustainability was important, but 65% felt measures had not improved or had even worsened in the past five years. Recycling, reduction in energy consumption, and the use of sustainably sourced production materials were deemed specific areas of weakness.

01

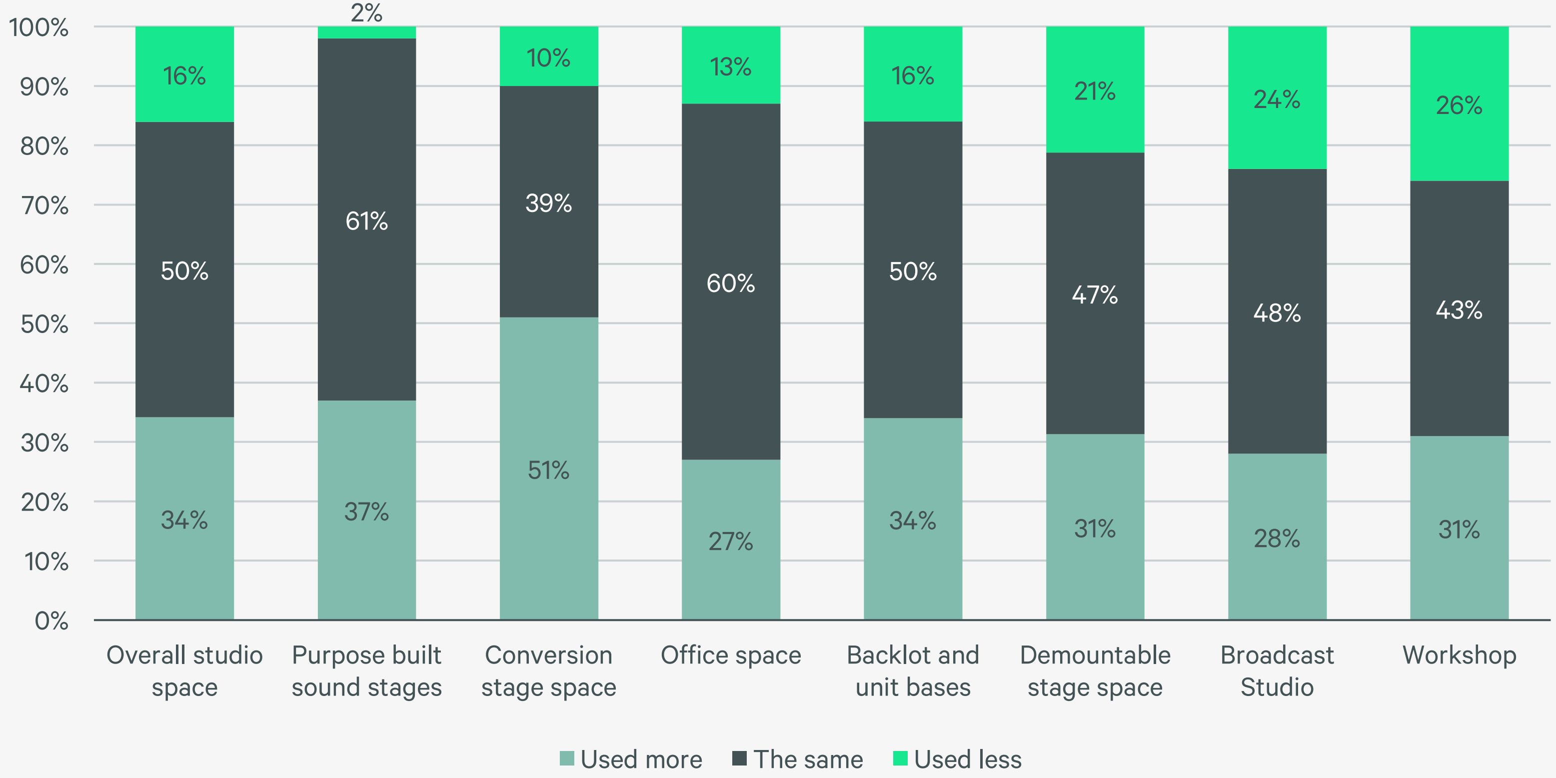
Survey results

An increasing amount of space required in TV and Film production

The TV and film industry recovered quickly from its COVID-related lull. In 2022, there were 415 film & HETV projects produced in the UK, with film spend up 21% on 2021 to £1.9bn. This buoyancy continued at the start of 2023; in Q1, combined total spend on film and HETV was £922m from 88 productions. Half of our respondents used the same space, but a net balance of 18% used more. 98% of respondents, used the same or more purpose built sound stages.

84%

used either more or the same amount of overall studio space



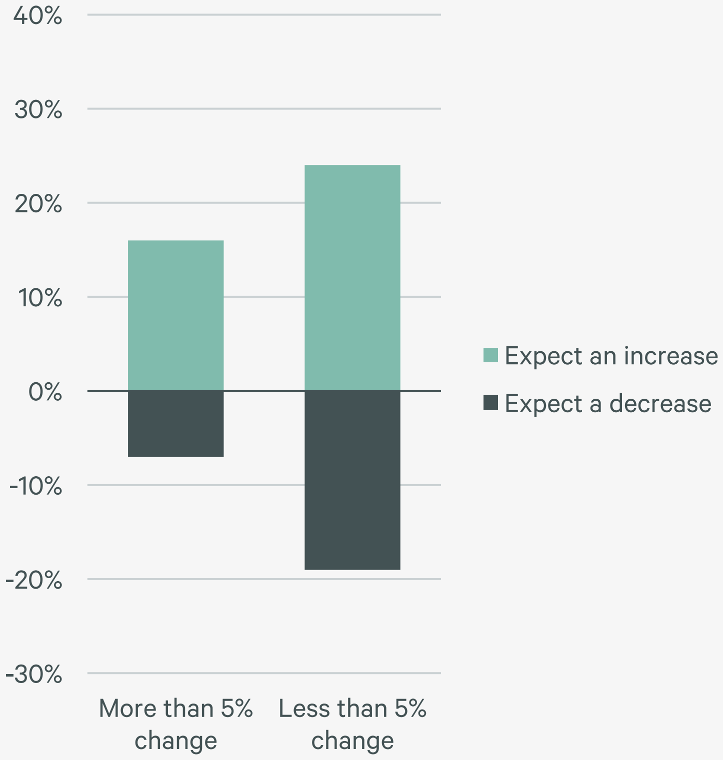
Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 3: In the space used this year, what did you use more or less of compared to last year?*

And this trend is expected to continue

73% of respondents expect budgets to remain the same or increase in the coming year. Over half of our respondents expect an increase in their budgets this year, offsetting those who expect budgets to fall, a net balance of 25% expect to have a higher production budget to spend. This reflects the UK's capacity to attract high-budget productions. Respondents also expect the number of productions located in the UK to increase next year, with 74% expecting either an increase or to retain the same number.

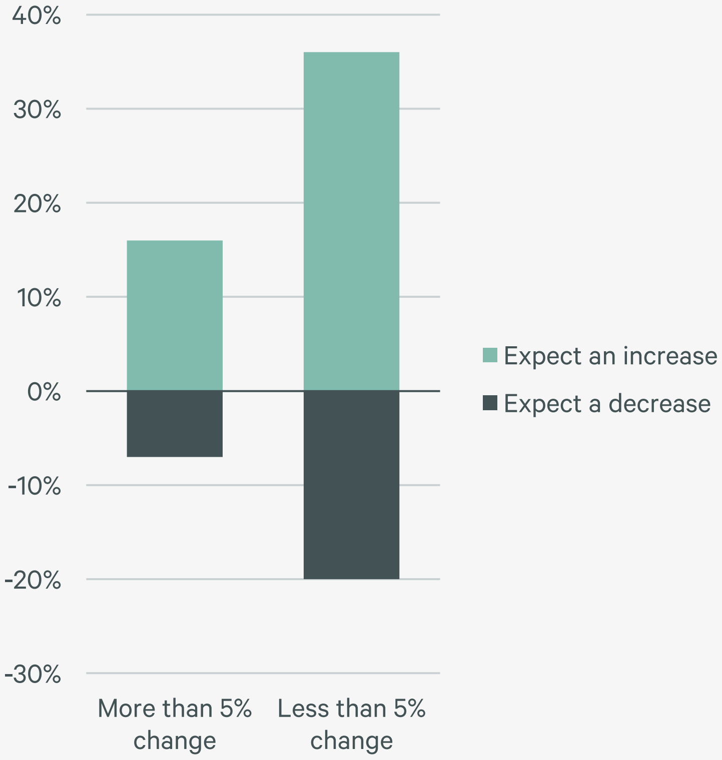
74%

expect either an increase or to retain the number of productions located in the UK



52%

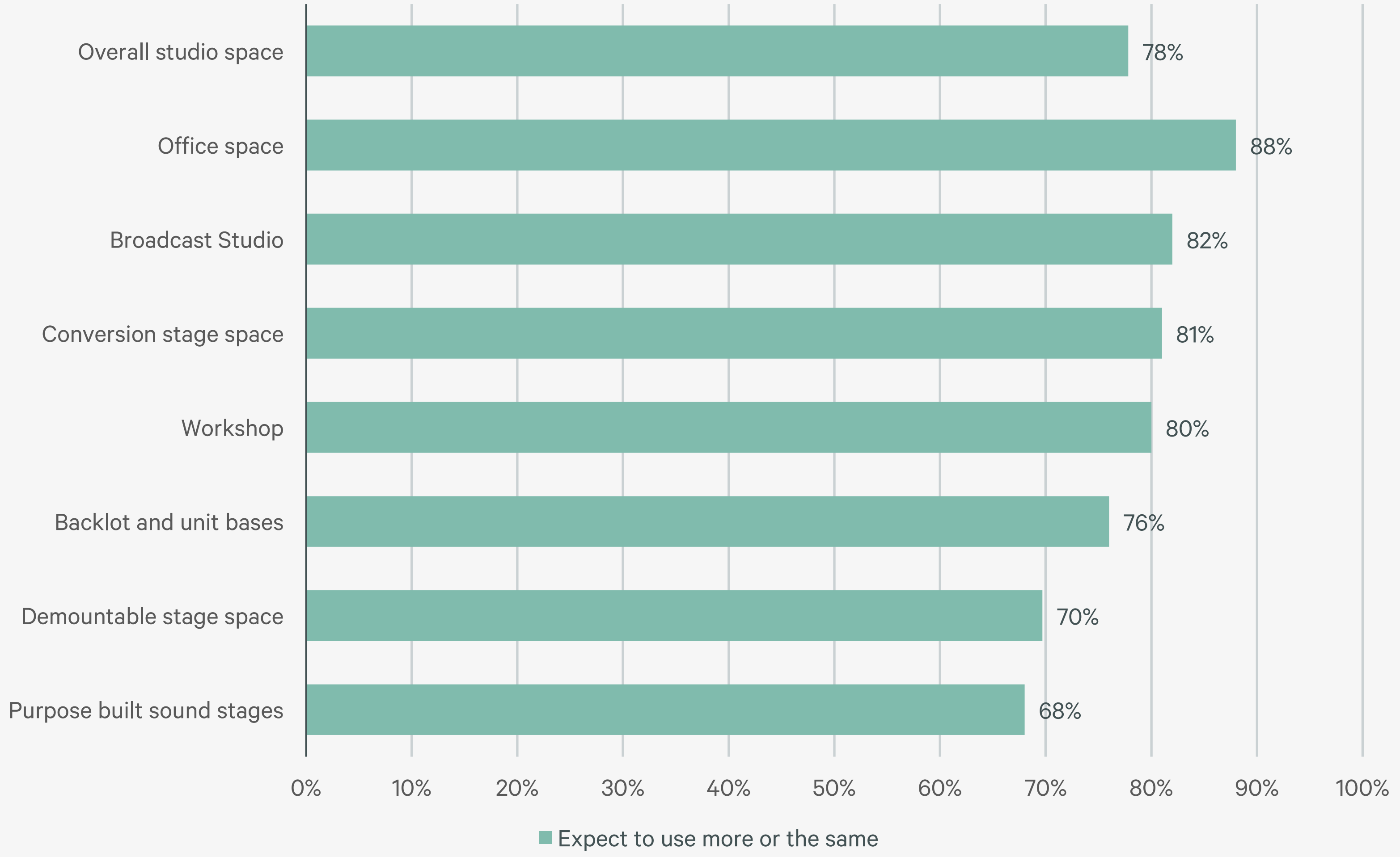
expect to have an increase to their production budget



Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 11: In the next twelve months, do you expect an increase or decrease in your number of productions located in the UK?; Question 13: In the next twelve months, are you expecting an increase or decrease to your overall production budget?*

Which will lead to increased demand for space

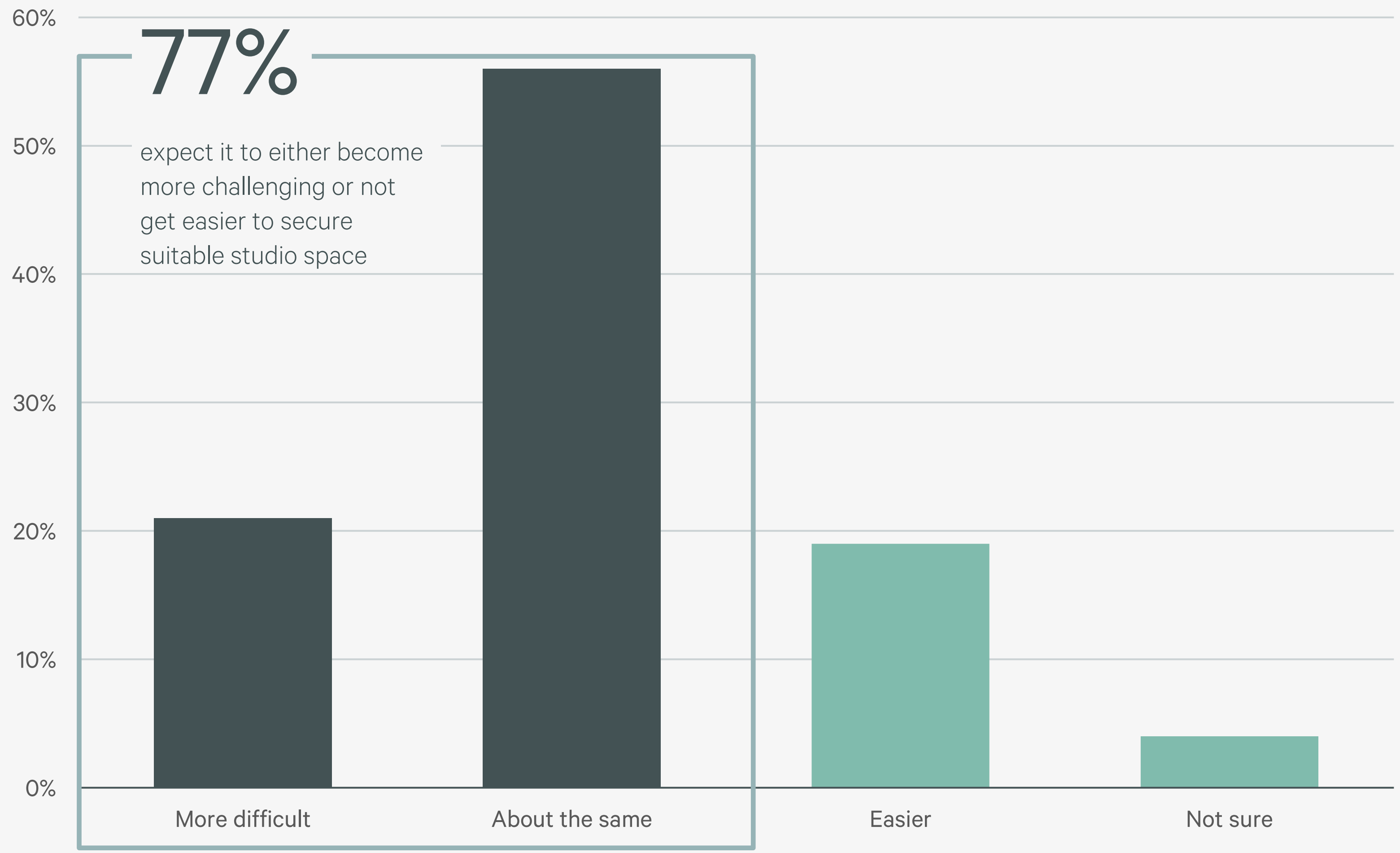
The expected growth in UK TV and Film production will translate to an increase in the demand for space. Overall, 78% of our respondents expect to use more or the same amount of studio space next year. Over a half said they would use more space., with around a fifth expecting to use less space. Leaving a net balance of 30% expecting to see an increase in demand. Demand for office space was deemed strongest, with 88% expecting to use more or the same amount. All types of studio space scored strongly, yet respondents expect to use more conversion stage space than purpose built sound stages. This likely reflects the recent trend for studio owners opting to convert stage space rather than build purpose built stage space.



Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 12: Compared to the last twelve months, are you expecting in the next twelve months, an increase or decrease in the average type of space?*

It will become even more challenging to find suitable production space

From our client conversations, we understand that it has been challenging to find suitable space. Developers and operators have recognised this, and currently there are development proposals for 44 new studio spaces, totalling over 11.2 million sq ft, in the pipeline. Despite the proposals, we only expect the 1 million sq ft at Shepperton to become available in 2023. And given this new stock will be absorbed quickly into the market, it is not surprising 56% of our respondents expect it to remain a challenge to to find suitable space, while 21% expect it to become even more challenging.



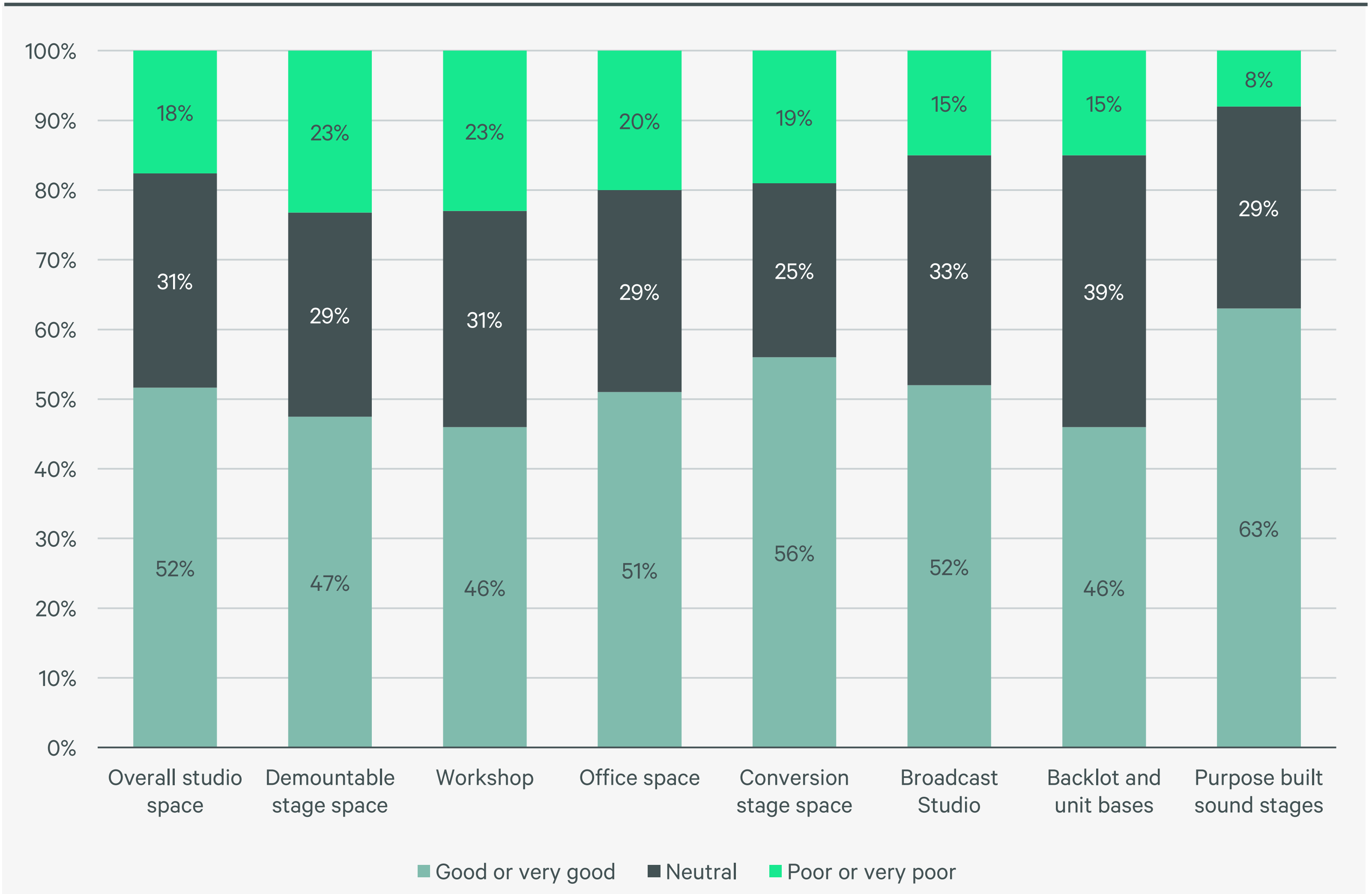
Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 14: In the next twelve months, are you expecting it to become easier or more challenging to secure suitable production space? Thus Studio Map*

The quality of space was mixed

Only half of those surveyed ranked the quality of current studio space good or very good and 18% thought the quality of space was poor.

Respondents' views on stage space varied by stage type. There was a clear preference for purpose built sound stages, with 63% of respondents rating them good or very good; only half deemed conversion stages good; and demountable stages fared unfavourably, with 23% deeming it poor.

The varying degrees in popularity reflects the fact demountable stages are typically used as temporary stage space, while conversion stages are typically repurposed from industrial units.



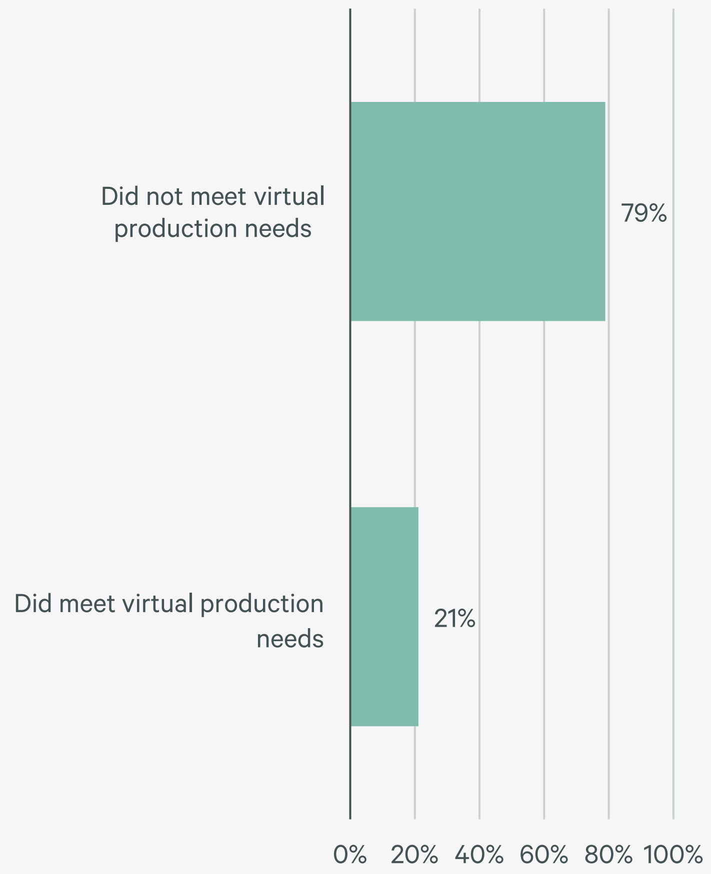
Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 4: How would you rate the quality of the space used?*

And studio space needs to better support post-production and virtual production

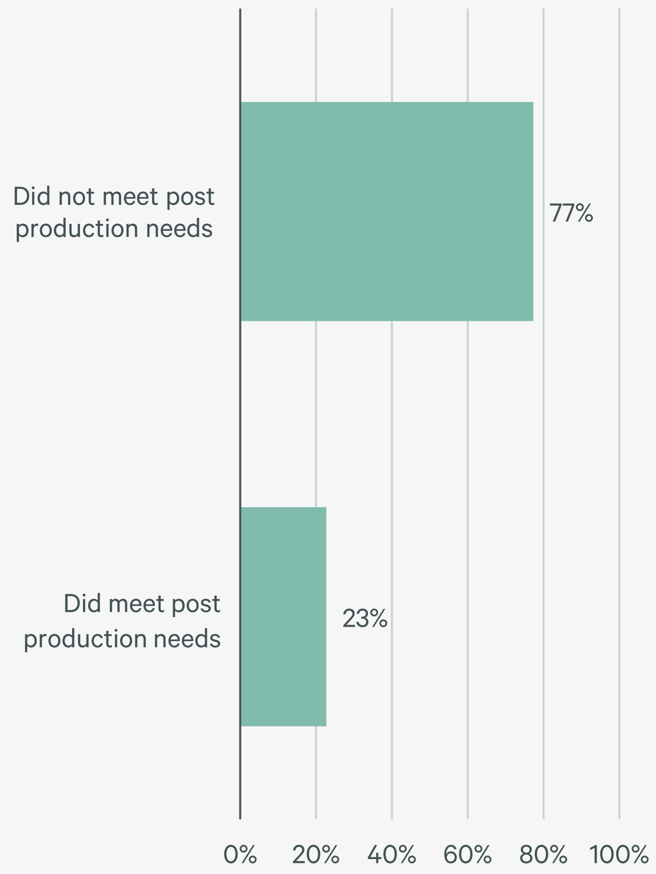
79% found overall studio space was not compatible with their virtual production needs and 77% found overall studio space did not meet their post-production requirements.

While the rating for virtual production is surprising, this is perhaps reflective of the rising number of converted stage space, which often cannot provide the ideal virtual production facilities compared to purpose built stage space.

For the type of space used, did it meet your on-site virtual production requirements?



For the type of space used, did it meet your on-site post-production requirements?

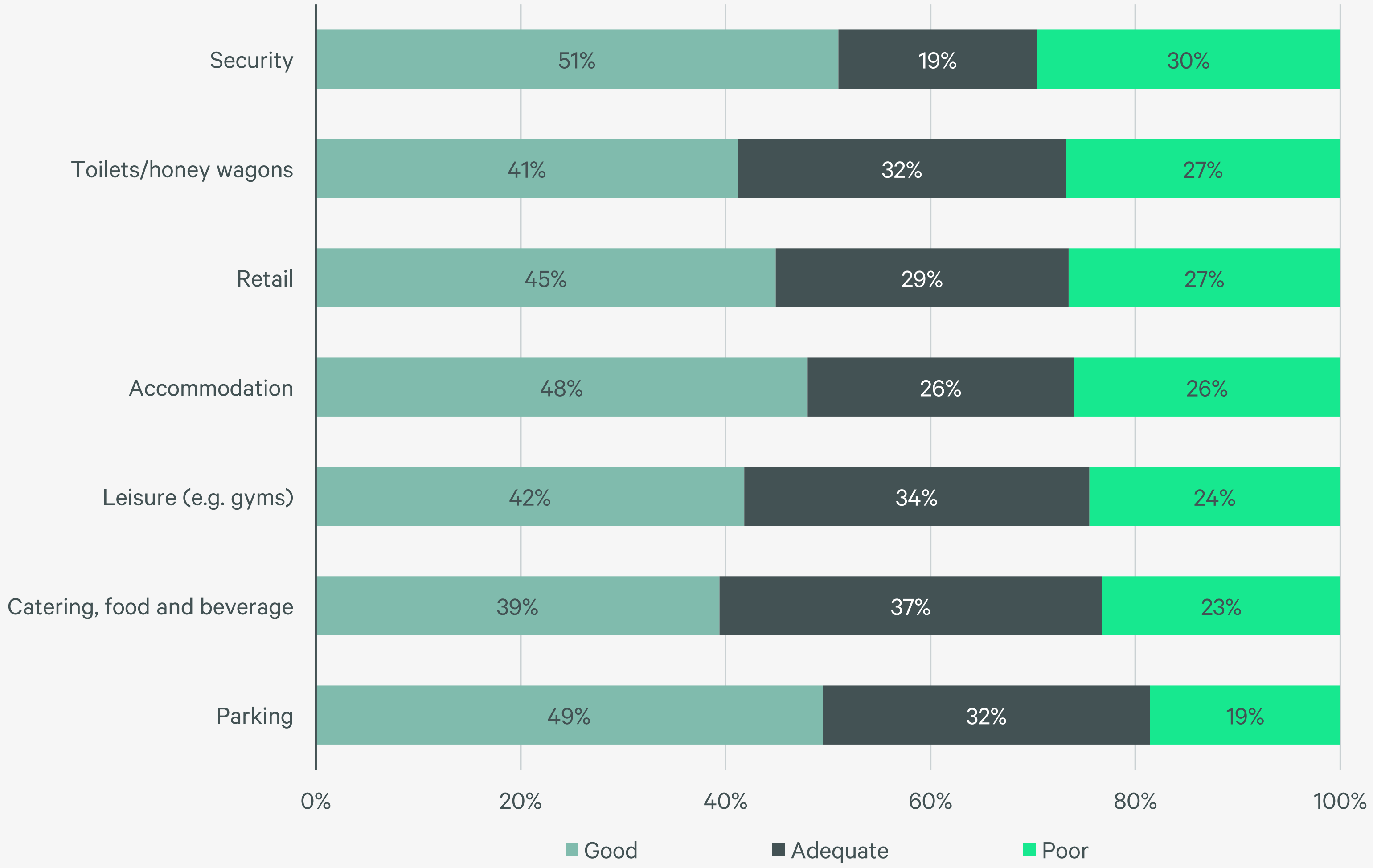


Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 7: For the type of space used, does it meet your on-site virtual production requirements?; Question 8: For the type of space used, did it meet your on-site post-production requirements?.*

Associated amenity offer could also be improved

It is not just direct studio space that is needed on productions. There is significant overlap with other real estate sectors, such as accommodation, catering, and retail, which are vital for providing support to productions.

Despite this, many of our respondents found typical amenity offerings to be weak. Only 39% rated catering and food offering as good; a third rated security as poor; and over a quarter rated each of toilets, retail and accommodation poor.



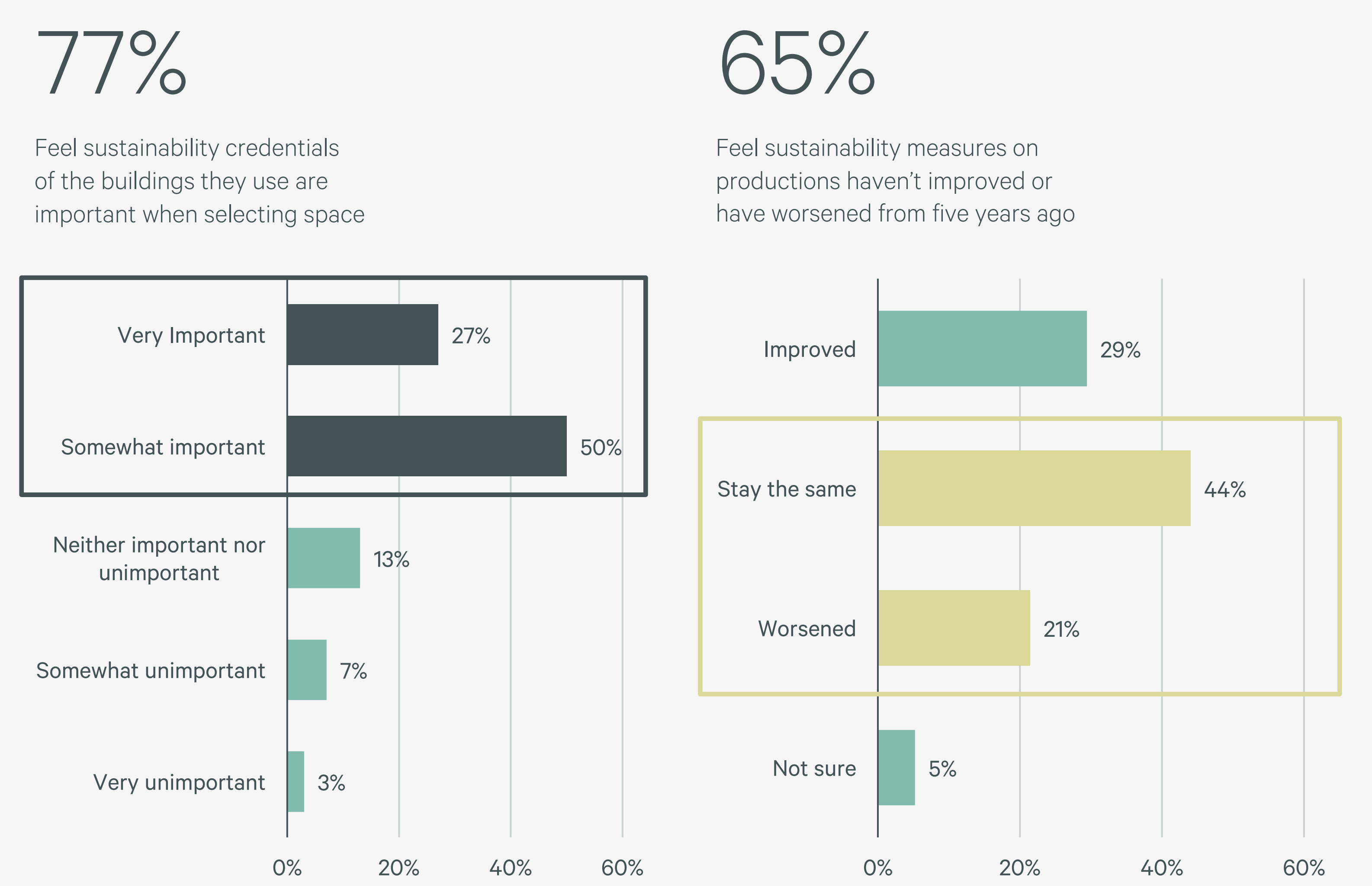
Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 5: How would you rate the quality of amenities in supporting your productions?*

Sustainability is important to occupiers

CBRE's recent ESG survey revealed that 77% of UK occupiers have a public net zero pledge. So it is unsurprising that 77% of TV and Film occupiers report sustainability credentials as important, given the buildings they work in will play a significant role in their journey to reaching net zero emissions.

The occupier focus on sustainability may also reflect the proposed 2030 uplift to minimum legal EPC ratings. If enforced, this would take energy inefficient space off the market, exacerbating existing supply problems.

Despite the importance to occupiers, only 29% of respondents report an improvement in sustainability measures in the last five years.



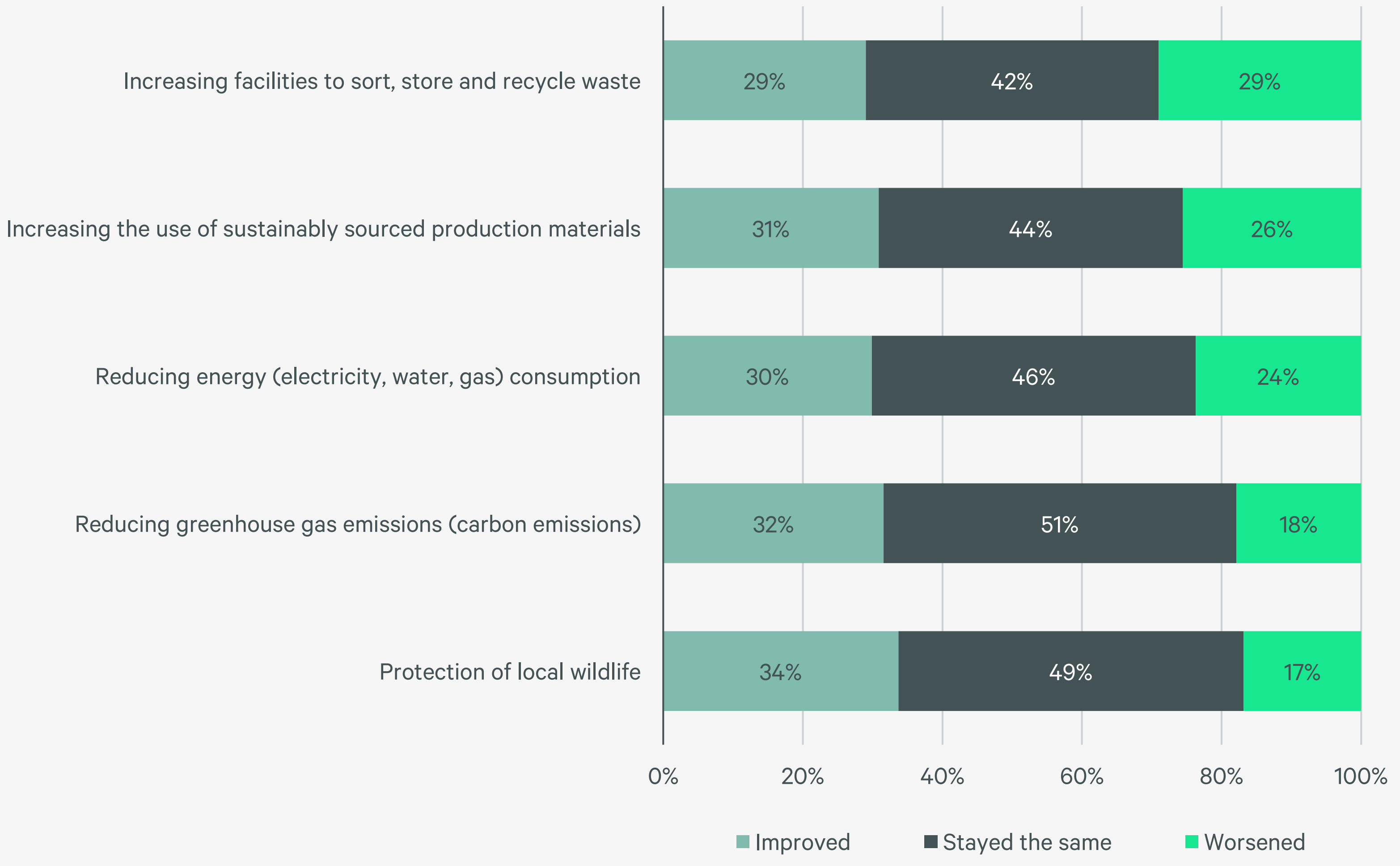
Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 17: When selecting production space, how important are the sustainability credentials of the buildings you use?; Question 18: Compared to the previous five years, do you feel production sustainability measures have improved or worsened in the last twelve months?*

Careful space selection improves sustainability

Two-thirds of respondents report no improvement or a worsening across all production sustainability issues.

While this response does not refer specifically to buildings, the appropriate choice of space can play a critical role in improving sustainability. This is especially the case for reducing energy consumption and carbon emissions, important for both achieving net zero emissions and reducing costs. To achieve this, aim to occupy space with good energy efficiency, indicated by a high EPC or BREEAM rating.

Additionally, introducing recycling facilities and sustainably sourced materials is an easy way for occupiers to be more sustainable and, unlike energy efficiency measures, is less reliant on the co-operation of landlords.



Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 19: Which sustainability measures do you feel have improved or worsened compared to the previous five years?*

What can the industry learn ?

Our survey findings confirm that occupier demand looks strong, with 53% of respondents expecting to use more studio space next year.

However, occupiers find it challenging to secure suitable space and, of the existing space, only half of respondents rated the quality as good. With the knowledge only one new large fully functioning studio development at Shenfield was completed last year, it is clear that if this situation does not improve, the UK will continue to have an undersupply in production space, with risks that productions will look elsewhere for space.

Still, the UK is attempting to satisfy the demand, with a huge prospective development pipeline of over 11.2 million sq ft. However, it is imperative that supply is correct to what occupiers are demanding. Developments which are not well located and do not provide suitable production space, including purpose built stage space, risk being under occupied.

As our respondents have made clear, future development needs to ensure studios are of the quality in standards that occupiers are asking for. This includes specific purpose built studio space, but also ensuring an amenity offering that can fully support productions. Moreover, developers need to factor in sustainability credentials into their decision making. Delivering space with good energy efficiency, indicated by a high EPC or BREEAM rating will be essential in meeting sustainability targets.

Key asks from occupiers

1. Quality of overall studio space
2. More workshop space
3. Quality of stage space
4. Improved sustainability
5. Virtual production compatibility
6. More office space

Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 20: When considering your future spatial requirements, what improvements to studio facilities would you ask investors to consider?*

02

Appendix

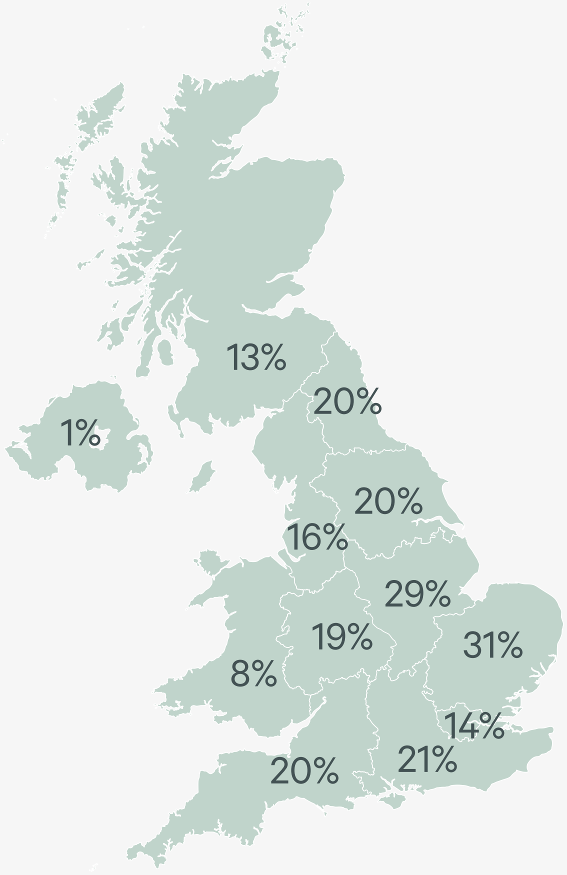
Respondent profile

We surveyed 100 senior industry professionals based in the UK whose main responsibilities are to select production space.

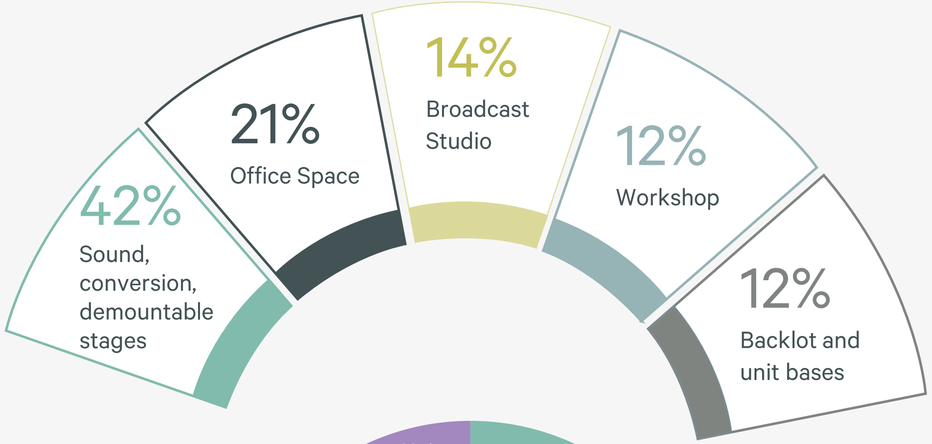
67% said the UK was the most common location they filmed in globally last year.

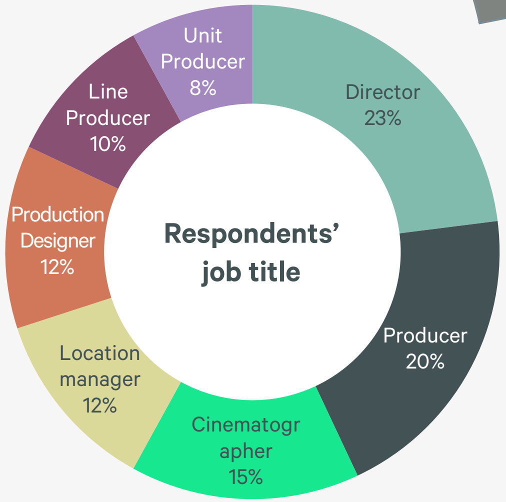
The average real estate expenditure for each production was £4.9m last year, which is c12% of the overall production budget.

Respondents were asked their top three most common UK production locations



Respondents were asked what space they use most often





Source: UK TV and Film Industry Survey, CBRE Research, May 2023. *Question 9: In the last year, where in the UK were your productions most commonly located?; Question 1: What studio space do you typically use most often?; Question 10: In the last year, which continent were your productions most commonly located in?; Question 15: In the last year, what was the real estate cost incurred on your productions?; Question 16: In the last year, what was the real estate cost incurred as a percentage of total budget?*

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