

Executive Summary

On 27 October, the CAA asked for:

... further information to understand the extent of possible duplicate land acquisition and property purchase costs in 2025 and 2026. Please could you provide a break down of how much of the planned land and property costs relate to each of: (i) the third runway and associated infrastructure excluding terminals; (ii) the new terminal capacity T5X and T5XN; (iii) the redevelopment of existing terminals and (iv) other matters (please specify). Please could you also provide commentary to explain the activities planned for 2025 and 2026 and describe and explain the evidence base that suggests these activities are required ahead of 2027 in order to meet the overall programme timetable.

2025/26 Property Activities

- The majority of 2025/26 property costs are in referencing, consultation and negotiation (all summarised as “engagement”) of voluntary agreements to acquire property necessary to deliver the scheme. There is also an expectation that we will acquire properties in 2025/26 where doing so supports the construction schedule or the property owner wants early certainty.
- The engagement costs are necessarily incurred on all land that may eventually be compulsorily acquired, as the DCO submission will need to secure those powers by demonstrating engagement as to why the land is required and evidenced attempts to seek a voluntary agreement for Heathrow to acquire the land. This means even if land is not needed until the 2040s in the construction schedule, the steps to secure it have to be taken in advance of DCO submission.
- This is a huge undertaking involving sensitive and empathetic engagement, commercial negotiation and legal contracting that must necessarily be incurred in 2025/26 in order to support a DCO submission in late 2027. Delays to commencing this engagement necessarily delay the DCO and/or make successful DCO less likely, as well as increasing the uncertainty for residents and business owners that are impacted by our scheme.
- The activities are described in full below and the evidence for why they need to take before DCO submission has been made clear to you in our previous submission.
- For the avoidance of doubt, and has been made clear in previous submissions, if property costs – including some acquisitions – are not included in early cost recovery policy, Heathrow cannot meet the Government ambition for a runway opening within a decade.

Location of Property Activities

- In the appendix are totals for residential property in each village, and whether it is in our Compulsory Purchase Zone or Voluntary¹ one. We also include the location of the major displaced users and where they need to be relocated to.
- The majority of property acquisition is for land required for terminals and runways for expansion (see cost difference below between “Expanding” (Runway + T5X/XN) and “Modernising” (T2C + D and associated development/access).

¹ For avoidance of doubt, the terms of our compulsory zone and voluntary zone property policies are mandated by the ANPS .

- While there are more homes and major displaced users in the location of the runway, the timely acquisition of land for T5X/XN remains on the critical path as it provides new apron and taxiways that enable the new runway (scheduled for 2035) to be operational before T5XPh1-3 is open (scheduled for 2038).
- In any case, engagement with landowners in advance of DCO submission is critical to receive the necessary CPO powers to backstop voluntary negotiations with a time limit and efficient cost. Therefore engagement activities take place in all areas within the red-line, regardless of its location or point in the construction schedule.

Cost of Pre-DCO Property Activities

- “Engagement” costs are constant in any schedule, but the level of acquisition that takes place depends on the date of runway opening. If Heathrow is to meet its 2035 runway opening schedule, then significant amounts of land needs to be acquired in advance of DCO grant (see Table 1 below).
- In the context of multiple promoters of DCO, there is no possibility of sharing cost as engagement is a function of bilateral commercial negotiation between promoter and landowner that forms part of the success of our DCO or otherwise (i.e. we could not rely on engagement Heathrow West Limited have done with Landowner A without doing it ourselves for the purposes of our own DCO and vice versa). There are also unanswered competition law concerns about information sharing regarding commercially sensitive information that the CAA should clarify in response to us or in their next consultation (as per our previous submission).
- In the context of multiple promoters, there is no material risk of duplicative costs of acquisition, as the “winning” promoter can use their CPO powers granted by DCO to acquire land acquired by the “losing” promoter. There will be some friction cost (stamp duty), but the focus should be on the context of the consumer benefit derived from submitting a timely and successful DCO², which property engagement and acquisition are critical activities that must be undertaken in 2025/26.

² Frontier Economics estimates £2.5bn a year

Appendix of Additional Information

NB: This includes draft content that will form part of our submission to Government, and may appear differently to that eventually submitted.

Draft DCO order limits and WPOZ

The DCO process requires that we define Draft Order Limits covering all land that will be impacted by the scheme to support DCO consultation and environmental assessments. We have completed this process as a part of updating our DCO application documentation, and the draft order limits are publicly available on the Planning Inspectorate's website.

The plan below (Figure 1: Draft DCO Order limits) includes:

The **CPZ (compulsory purchase zone)** as defined in the ANPS coloured yellow. All the land and property within this area is required for the new runway, terminal development and other airport supporting facilities.

The **WPOZ (wider property offer zone)** as defined in the ANPS coloured purple. This land is not necessarily required to deliver the scheme, but this is the area within which residential property is protected under Heathrow Property Policies.

The **Draft DCO Order Limits** coloured red. This is subject to refinement through ongoing consultation and design development, and identifies land that may be required for:

- a. Airport Related Development.
- b. Replacement community facilities including public open space.
- c. Blue / Green infrastructure, biodiversity offsetting, mitigation, enhancement and re-provision.
- d. An Active Green Network.
- e. Diversion of essential utility services and local road infrastructure.
- f. M25 diversion.
- g. Construction Compounds.
- h. Railhead development for movement by rail.

The **existing airport owned by HAL** coloured black.

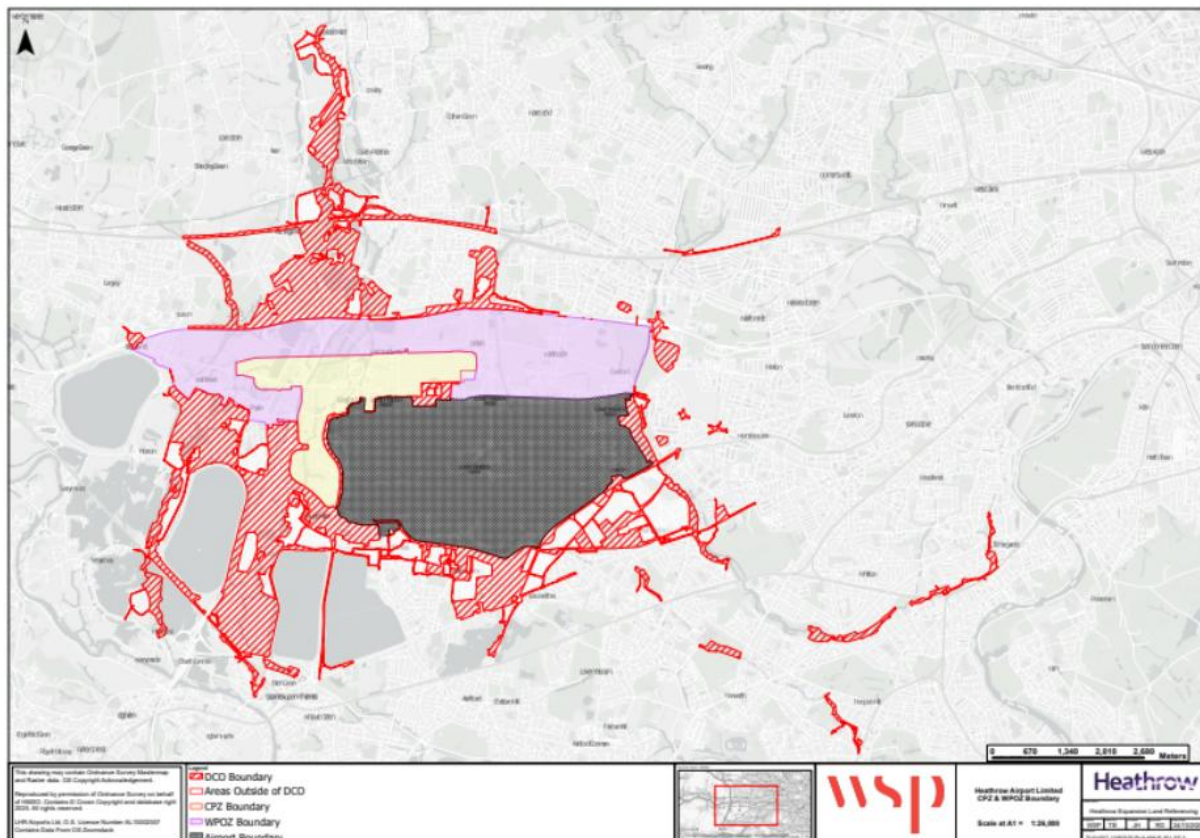


Figure 1: Draft DCO Order limits and WPOZ

We will seek compulsory purchase powers via our DCO, but for these to be granted we must demonstrate that we have maximised the use of voluntary acquisition. Our response therefore sets out our approach to compulsory purchase, the land which may require compulsory purchase, and the schemes we plan to implement to minimise the need for compulsory purchases.

Approach to compulsory purchase

The project will adopt a proportionate approach to the use of compulsory acquisition powers secured through its DCO application. For land that is required for permanent infrastructure, we will seek to maximise the use of voluntary acquisition processes using a variety of policies as set out below. This approach also allows us to progress property acquisition and therefore construction faster than by relying on compulsory purchase powers, which will only be available when the DCO is granted in 2029.

For land that is not required for permanent works, we will only use temporary possession or acquisition of rights only (such as for the maintenance and management of environmental mitigation works) unless this is not possible or would not be acceptable to the owner. When permanent acquisition is required we will first seek voluntary acquisition as above.

The role of compulsory acquisition powers in our land acquisition strategy is therefore to provide a route to secure land when voluntary acquisition fails. This provides an essential “backstop” to maintain control of the cost and schedule of the project:

1. Budgetary Control – introduces a basis of assessment of compensation which enables the promoter to estimate the potential cost of acquiring property and business disturbance compensation.
2. Certainty of timing - the process enables statutory notices to be served to take possession of property before compensation is agreed and settled.

Property potentially subject to compulsory purchase

The areas potentially subject to compulsory acquisition are shown in Figure 1: Draft DCO Order limits and WPOZ.

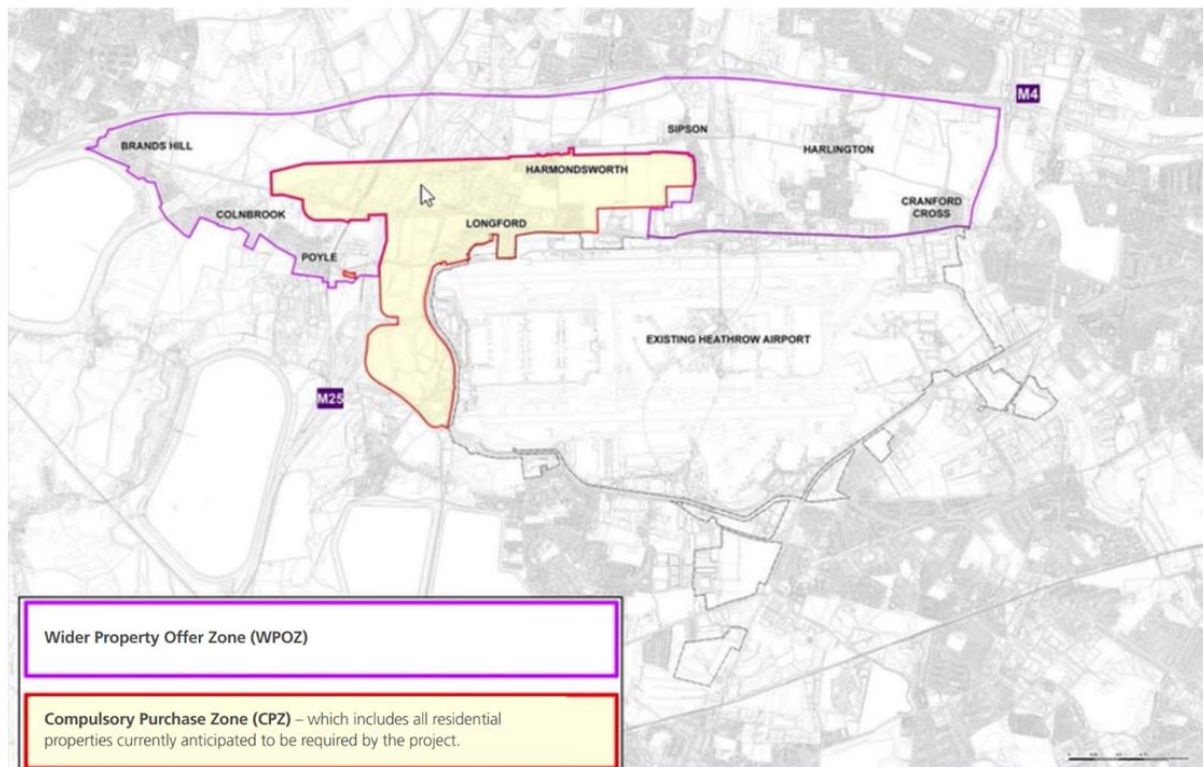


Figure 2: Residential Properties and CPZ and WPOZ

Residential properties within CPZ

These properties all fall within the “Compulsory Purchase Zone” (CPZ) as defined in the ANPS and will need to be compulsorily acquired if we are not able to secure voluntary acquisition. There are no residential properties outside the CPZ which are subject to compulsory purchase.

Non-residential properties within DCO draft Order limits

Within the CPZ and other Heathrow ownership is excluded from these figures.

Land acquisition strategy to avoid compulsory purchase

Heathrow is committed to a land acquisition strategy which encourages affected property owners to agree voluntary purchase. This will be achieved through the implementation of policies which will include:

a. Interim Property Hardship Scheme (PHS) (open since 2017)

- The PHS is one of the discretionary interim policies that Heathrow put in place for those whose properties are within the area most affected by the Project and can demonstrate eligibility.
- Successful applicants in the CPZ will have their home acquired by HAL at the unaffected open market value plus an uncapped 25% home loss payment together with associated costs, including SDLT, of selling and buying a home elsewhere.

b. Residential Property Policy (Including Property Bond)

- Offers eligible owner occupiers within the CPZ and WPOZ the ability to sell their homes and receive HAL's enhanced compensation offer of unaffected open market value plus an uncapped 25% Home Loss Payment and associated costs, including SDLT, of selling and buying elsewhere. This is in contrast with the statutory position which is 10% home loss payment capped at £81k together with associated costs, including SDLT, of selling and buying a home elsewhere.

- [REDACTED]

c. Residential Landlord Policy

- This policy seeks to speed up the process of buying privately rented properties
- The policy offers alternatives to property sale to landlords within the CPZ, including fixed compensation payments and exchange with properties already owned by Heathrow elsewhere.

d. Residential Tenant Policy

- This policy sets out an offer of fixed compensation payments to tenants to cover costs associated with relocation.
- The aim of the policy is to simplify the process for tenants who want to relocate at a time more of their choosing rather than having to wait to qualify for compensation from HAL.
- The policy seeks to mitigate potential unfair actions by landlords to secure vacant possession prior to sale to Heathrow.

e. Heathrow Expansion Fees Policy

- In line with Government Guidance this policy covers the reimbursement of relevant professional fees incurred by affected parties

f. Commercial Property Policy

- This policy and service supports commercial occupiers in the process of finding relocation premises in the vicinity of the airport.

g. Agricultural Property Policy

- This policy applies to a large number of small agricultural plots required for environmental mitigation or biodiversity net gain. Owners will be offered the choice of retaining ownership with covenants for maintenance and management, or selling to Heathrow.

- If successful it will minimise the overall acquisition by HAL and create a local and sustainable maintenance and management legacy.

h. “Property Majors”

- Where there are major commercial operations within the CPZ, our current strategy is to enable their relocation to new facilities elsewhere.

Properties impacted by the scheme

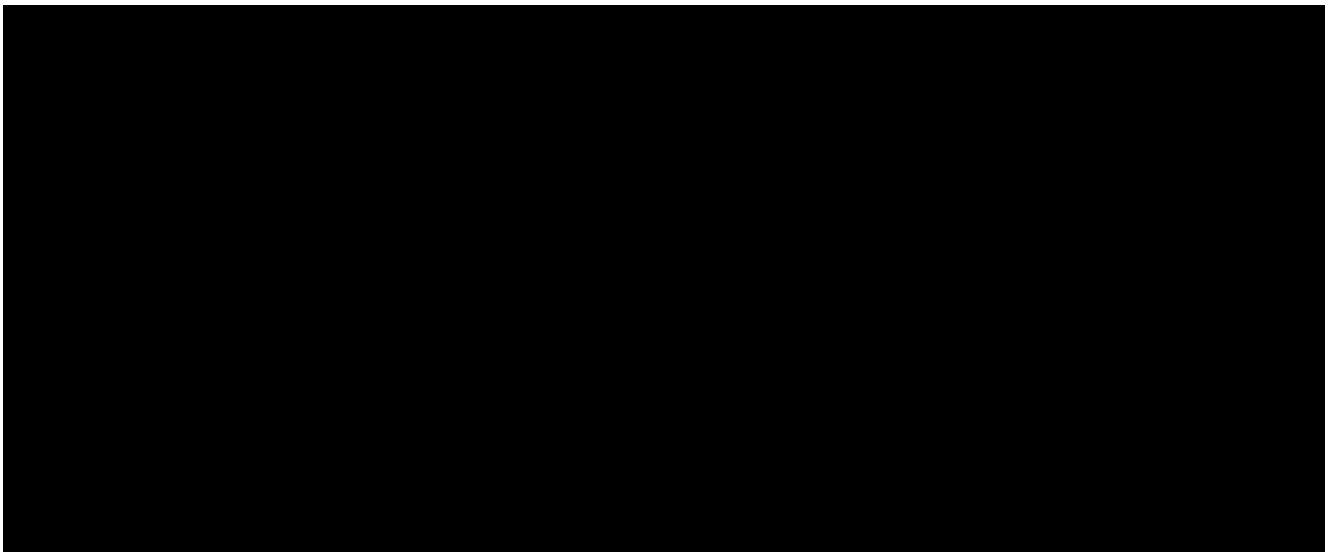
Given the nature of the proposed development, there is a very large area that is potentially impacted by our proposals. Property that is to be acquired for the main airport development is covered in the previous section under Compulsory Purchase. Outside of this area, we have invested significant effort in land referencing to identify properties affected and their ownership, and in putting in place policies to mitigate the impacts of our proposals, including noise mitigations.

Land referencing

To support DCO activities we have we have invested in land referencing to develop intelligence on the ownership, occupation, and charges and easements related to all properties which will be impacted by the scheme. This information covers the area that will be overflowed by aircraft arriving and departing the airport based on noise contours, and includes in excess of [REDACTED] individual titles. All these parties will be made aware of the Project and invited to take part in the consultation.

Properties impacted in WPOZ

We recognise the impact that our proposals may have on owners who live close to the new boundary of the expanded airport. We have therefore developed a policy to extend our compensation offer to properties within the most affected areas outside the Compulsory Purchase Zone, for both noise insulation and property acquisition. This extended area is known as the Wider Property Offer Zone.



Noise Impacts & Mitigation

The noise footprint of aircraft operating at Heathrow will change under our plans. We had modelled the potential impact of noise from our expansion proposals as part of the development of the Preliminary Environmental Information Report (PEIR) in 2019, which was consulted on. This will be updated when airspace designs are available from the new UK Airspace Design Service UKADS.

Since 2014, and through our submissions to the Airports Commission, we have consistently demonstrated that a North West Runway delivers the best overall noise outcomes. This was a core reason why the Airports Commission supported the NW Runway option in its recommendation to Government, along with our proposals to provide noise respite through runway alternation.

An indicative map of the likely area impacted by noise is shown below [REDACTED]

[REDACTED] A comprehensive noise insulation package will be made available for all those in this area (including those in the WPOZ who wish to stay) and we have made an allowance for this within our cost plans.



Noise insulation package

Heathrow is committed to reducing the impact of noise on local communities through a comprehensive package of measures. In the inner zone, we offer 100% coverage for loft insulation, acoustic double glazing, ventilation, and financial contributions for those affected at lower noise levels. Schools and community buildings within the 60dB contour are also eligible for insulation and ventilation upgrades.

We've commissioned research to demonstrate the effectiveness of these schemes, ensuring they deliver value for money for communities, airlines, and passengers alike.

Engagement with affected communities

The previous Heathrow Expansion Programme undertook a major programme of consultation and engagement with local communities which has informed the design of our scheme. Since the pause of HEP in 2020, Heathrow's communities team has continued to engage routinely with local communities and have initiated work to reestablish the engagement work under HEP to support further consultation planned for 2027.

Extensive Consultation and Community Engagement

Over eight years, Heathrow has engaged deeply with local communities to shape its expansion plans and proposed mitigations. This included both non-statutory and statutory consultations in 2018 and 2019, with the latter generating over 11,000 public responses and involving 43 events where residents could speak directly with the project team. Targeted engagement was carried out in areas directly affected by the third runway, including the CPZ, through tailored booklets, outreach to seldom-heard groups, and independently chaired Local Liaison Groups.

Alongside our focus on keeping communities informed and supported throughout this process, we plan to hold a public consultation in 2026. This will support further refinement of the scheme and help us gather additional community insights, which will be valuable in shaping the final proposal we submit for the DCO.

Feedback-Driven Mitigation and Support

Community feedback has directly shaped our approach, including the development of property compensation schemes as mentioned in the previous section. We've also worked closely with operators and users of affected community facilities to inform mitigation measures, supported by an iterative site selection and design process that reflects the needs and sensitivities of each facility and its users.

Independent Oversight and Accountability

In line with ANPS requirements, Heathrow established the Heathrow Community Engagement Board (HCEB) in 2018 to ensure constructive dialogue and provide access to independent technical support and guidance to residents. HCEB has since evolved into the Council for the Independent Scrutiny of

Heathrow Airport (CISHA), which consolidates community forums under one body (Figure 4: Heathrow Community forums overseen by CISHA). CISHA plays a key role in holding Heathrow to account on issues such as noise, air quality, transport, and property blight.

We are committed to working closely with CISHA, which we believe will play a central role in providing confidence to both communities and government that engagement and consultation remain credible, inclusive, and fit for purpose throughout the planning and delivery phases.

Ongoing Communication and Resident Support

Until the DfT confirm the intended scheme selection for the project and the CAA confirm property expenditure within early cost recovery policy, this period of uncertainty is especially difficult for those living close to the airport. We continue to engage with communities near the airport, particularly those in the CPZ, through regular updates, LCF meetings, and direct outreach. In response to feedback from CISHA and the LCF, we've launched a dedicated webpage with contact details and FAQs to help residents navigate property-related concerns. We also intend to develop a home relocation service to support affected homeowners in planning their move and redeeming their Home Purchase Bond.

Future Engagement and Facility Relocation Planning

We're setting up a programme of engagement with operators of displaced community facilities to re-validate their needs and ensure transparent planning. This includes working with public sector bodies like Sport England and local authorities to meet modern standards. New facilities will be designed with input from users and communities, with options for phased relocation and tailored solutions such as translocation for allotments and inclusive design for schools.

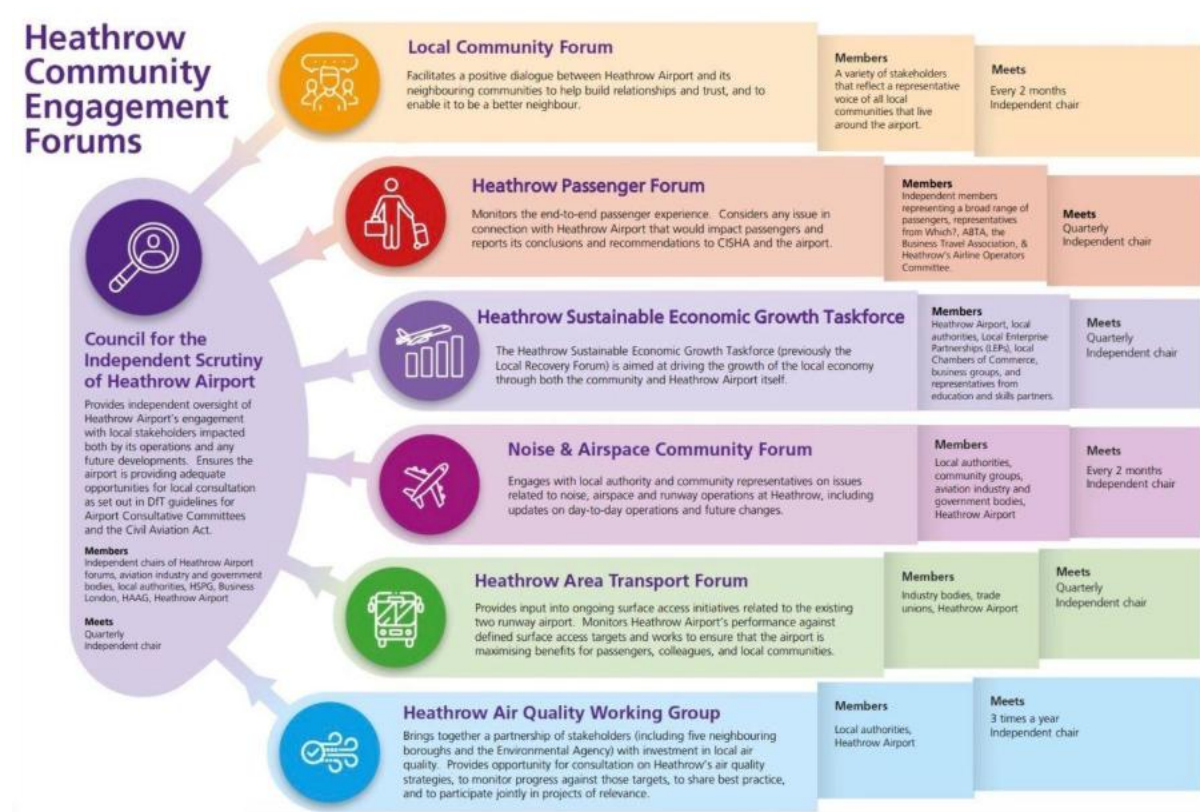


Figure 4: Heathrow Community forums overseen by CISHA

Future Engagement and Facility Relocation Planning

We're setting up a programme of engagement with operators of displaced community facilities to re-validate their needs and ensure transparent planning to minimise disruption. This includes working with public sector bodies like Sport England and local authorities to meet modern standards. New

[REDACTED]

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[REDACTED]

Engagement with commercial landowners

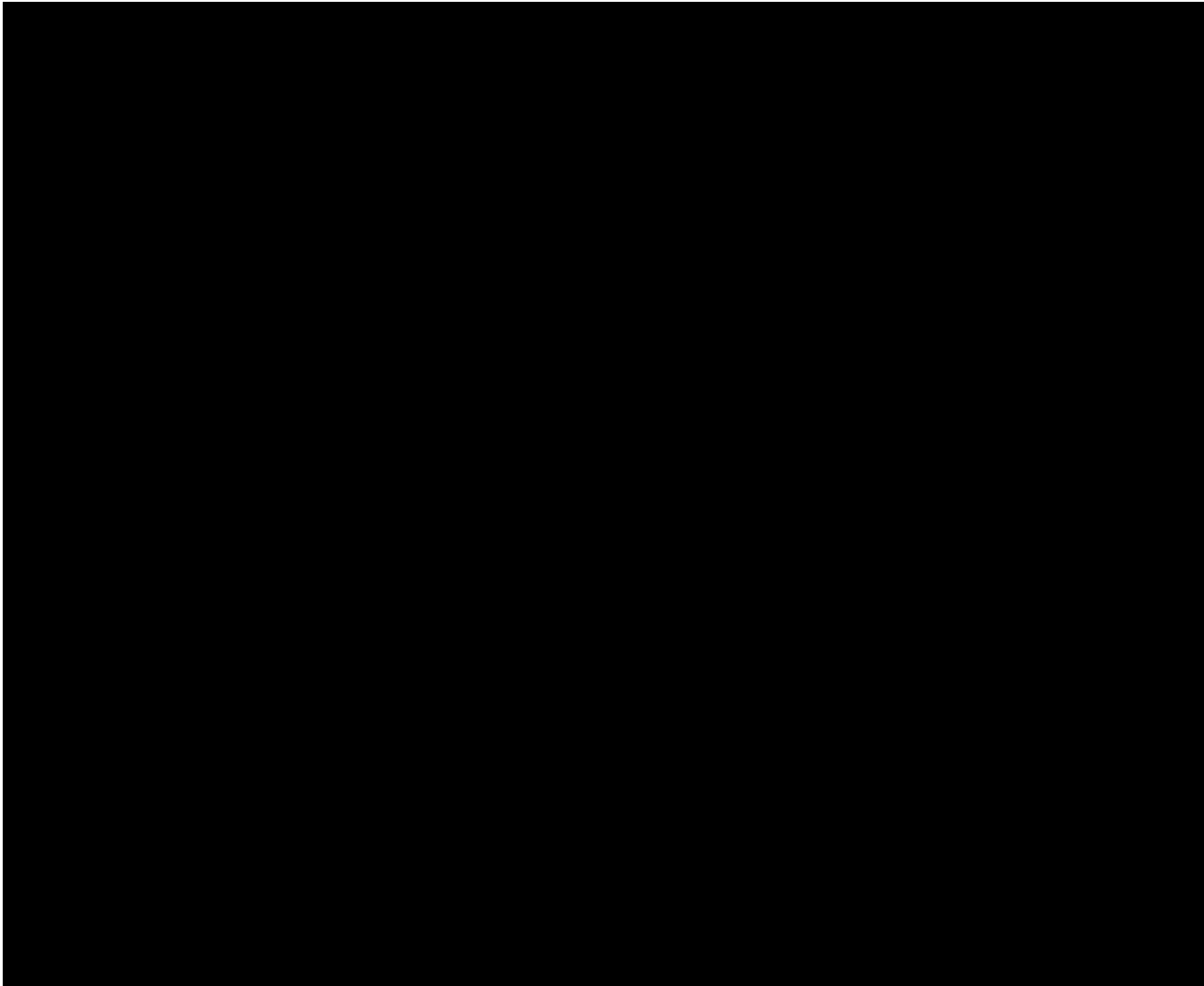
In addition to our extensive community engagement, we have engaged with commercial landowners both during the HEP programme and more recently to consult on our plans and start the process of land acquisition to meet the project critical path.

Major displaced uses

There are seven major commercial landowners within the area required for scheme development whose assets need to be removed before we can undertake works on the construction critical path for the programme. Given the scale and value of their operations, the current strategy for land assembly plans to reprovide facilities for these “major displaced uses” to secure access to these key plots of land at the best cost and as early as possible.

The identified major displaced uses are [REDACTED]

[REDACTED] Replacement location options have been identified for all of these assets [REDACTED]



Other commercial landowners

During the 2018 and 2019 public consultations, Heathrow's Land & Property Team ran a parallel engagement process with commercial landowners and occupiers. All directly affected parties were contacted in writing and offered meetings ahead of the consultation events. This resulted in an 80% success rate, with face-to-face meetings held to share project information and complete a discovery form capturing details relevant to future decisions.

Many large landowners granted Heathrow licences to access land for environmental surveys and data collection. These licences typically lasted 3–5 years, with some still active today. Heathrow continues to monitor over 600 boreholes installed before the project pause and has already contacted landowners to arrange access licences needed from early 2026 onwards.