

West End Investment Watch



£900M of deals agreed in November

November witnessed 10 deals totalling £496m, accounting for 19% of total volume this year, bringing the cumulative annual total to £2.83bn across 71 transactions.

Just under a third of the total volume this year-to-date can be attributed to the (only) five transactions over £100M. Of these five trades, two have been retail-led transactions on Old Bond Street, with the remaining three all value add opportunities. We have not seen any trades of scale (>£100M) so far in 2023 for office-led income producing opportunities. By comparison with 2022, we recorded 11 trades >£100M at this point in the year, of which six comprised office-led income producing assets.

Approximately £900M of new deals were agreed in the month, bringing the total sum under offer to £1.24 bn. Even if this total sum completes by the year end, 2023 will still be the lowest transactional activity since 2009 (which saw £3.05 bn) and 55% below the peak in 2014 (which saw £9.05 bn).

The largest monthly trade was Federated Hermes and CPPIB's disposal of Haymarket House, SW1, advised by Savills. The building comprises a freehold 0.51-acre site, including 85,203 sq ft of vacant offices to be converted to hotel accommodation, and leisure accommodation on the lower floors providing 9 years' income secured against three tenants.

Other notable value add trades include the disposal of 8-10 Great George Street, SW1, by FHPUT; a freehold office in Westminster with consent for a 134 bed hotel scheme and a 21 unit residential scheme. Pricing reflected £57.5M / £1,055 psf. This reflects a 36% discount to the original guide price in Q1 2022.

M&G have sold a 50% stake in the Fitzrovia, 247 Tottenham Court Road, W1 to Lothbury and Nomura, following a competitive bidding process. The price we understand is based on an estimated GDV of £191M / £2,484 psf on the consented scheme. Once complete, the scheme will comprise 59,471 sq ft of best-in-class office accommodation, with retail accommodation at ground and lower ground, and eight residential units.

In a continuation of a theme analysed in previous updates, well-located liquid freeholds remain sought after, achieving strong competition from private investors. 12 Conduit Street, W1 and 33 Golden Square, W1 have both been acquired by private Spanish investors.

Two-thirds of the deals under offer are being sold by UK Vendors, as they continue to dominate as net sellers in 2023 (75% by deal number), with 42% representing institutional funds, many of whom continue to face redemption pressures.

We are tracking 77 openly marketed opportunities as we enter December, totalling £3.62 Bn by guide price. This is skewed towards smaller opportunities, with 64% by number (across 49 opportunities), guiding a price below £25M.

Savills prime West End yield remains at 4.0%; the Bank of England base rate remains at 5.25% and the SONIA five-year swap rate has fallen considerably, sitting below 4% for the first time since April 2023, at 3.41%.



Savills have a 25% market share by volume, rising to 40% when analysing deals > £100M only



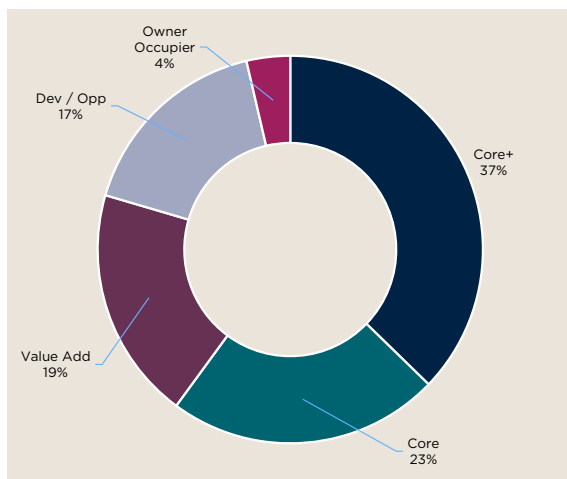
72% of the total volume under offer was agreed in November



53 of the 71 trades this year involve UK vendors

YTD Trades by Asset Profile

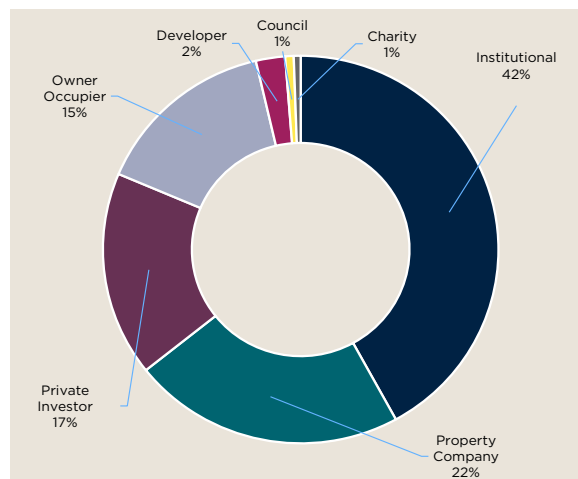
Graph 1



Source: Savills

YTD Trades by Vendor Profile

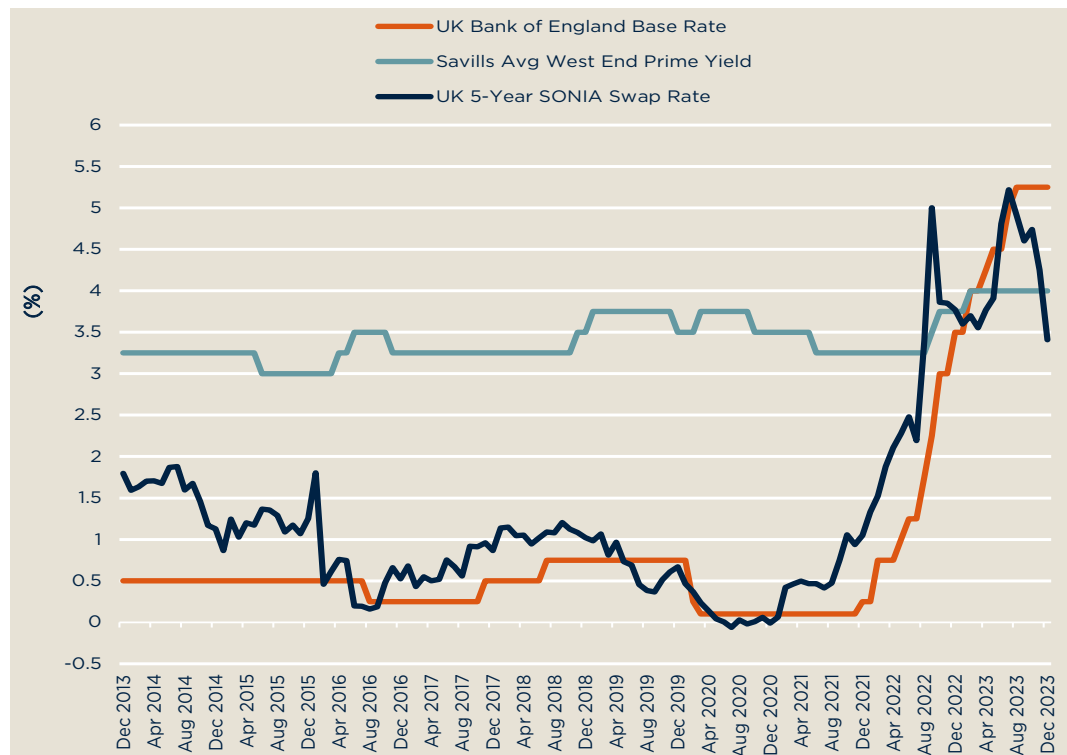
Graph 2



SONIA 5 year swap rate falls below 4.00%

West End Yield & Finance Rates Graph

Graph 3



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