

West End Investment Watch



Liquidity trending upwards for larger lot sizes

November witnessed 7 transactions totalling £537m, reflecting the busiest month of trade since April (by volume). Cumulative annual volumes stand at £3.88bn which is in-line with the 5-year average and 27% down on the 10-year average. Notably, the number of deals so far this year (114) is down only 4% on the last decade's average and reflects a 32% uptick on the 5-year average, highlighting strong liquidity and unwavering investor demand, which is resulting in further market datapoints for larger lot sizes.

There were two bellwether office transactions of scale in November, both presenting core plus opportunities in St James's. JP Morgan sold its freehold interest in Times Place, 45 Pall Mall, SW1 to Ares (£135.45m, 4.33% & £2,268 psf). This multi-let asset offers a rolling (on-floor) refurbishment business plan with potential to capture a substantial reversion thereafter, with benchmark leasing evidence set on the third (the only refurbished) floor at £127 psf, compared to an average upper floor rent of £98 psf.

Joint Treasure sold its freehold interest 3 St James's Square, SW1 to Realty Income, for their own part occupation (£126m, 4.05% & £2,473 psf). The asset is multi-let to twelve tenants at a passing rent reflecting £102 psf, with a weighted unexpired lease term certain of approximately 1.6 years, providing the opportunity to refurbish the offices, modernise the reception and create new end-of-trip facilities to enhance the rental tone.

Domestic investors have been the most active nationality this year, representing (by number and volume, respectively) 54% and 39% of acquisitions and 68% and 60% of sales. UK investors sold four assets in November and Savills represented the vendor on two occasions. In the largest of these, a private investor disposed of the long leasehold interest (106 years unexpired at 10% gearing) in Whittington House, Alfred Place, WC1 to GPE (£58.8m & £785 psf).

This c.75,000 sq ft office building provides a significant repositioning opportunity, and witnessed competitive bidding from institutional and private equity-backed investors, illustrating the depth of demand for well-located and well-specified assets, which offer clear scope to capture significant rental growth (subject to the necessary cap ex).

We are tracking £723m of deals under offer, totalling 21 properties. One quarter of this volume reflects deals agreed in November, the largest of which was 1 Lyric Square, W6, owned by Schroders. The virtual freehold interest was originally marketed in September 2022 at a quoting price of £95m, 5.25% & £920 psf, and is believed to be under offer for approximately £62.5m, 8% & £605 psf. If successful this deal would mark the fourth Hammersmith office trade of the year; a submarket where investor demand has been largely focussed on permitted development residential conversion opportunities, albeit the local authority is yet to approve any such application.

Savills records 80 openly marketed assets with a combined quoting price of £2.44bn, of which £137m was marketed in November across 5 deals. By number, only 8% of buyable assets are over £100m, whereas 64% are below £20m. We expect Q1 2025 to yield a steady uptick in terms of newly marketed assets, as owners look to capitalise on the growing number (and growing appetite) of applicants, improving liquidity and, for best-in-class assets, market evidence.

Savills prime yield stands at 4.0%, the Bank of England base rate remains at 4.75% and the SONIA 5-year swap rate has decreased by 28 bps in the month to 3.82% (at the time of writing).

32%

Number of transactions outstrips the 5-year average



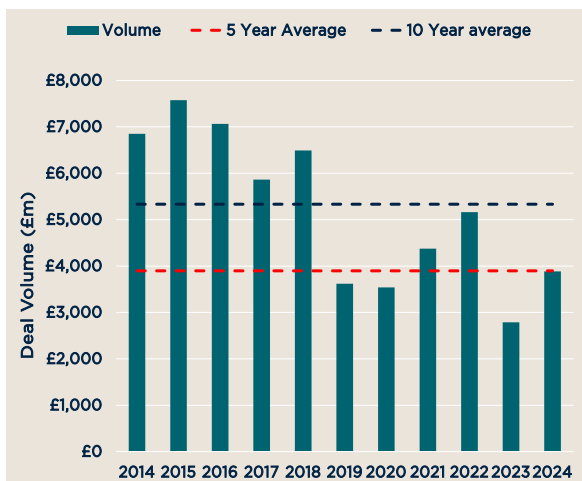
involved in two key sales in November



Domestic investors remain the most dominant buyers and sellers (by volume and number of deals)

Graph 1

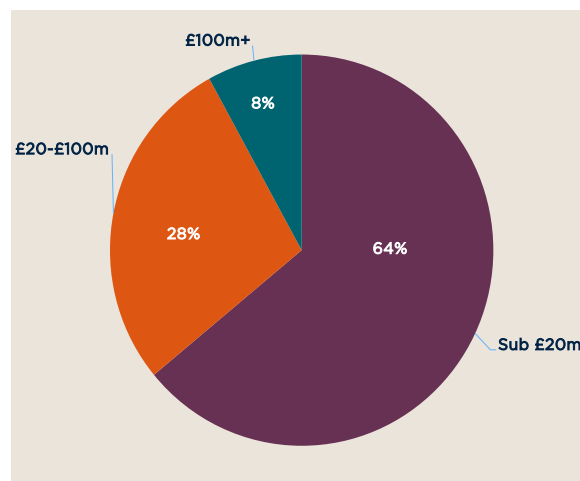
Cumulative annual volumes



Source: Savills

Graph 2

Available assets by capital value

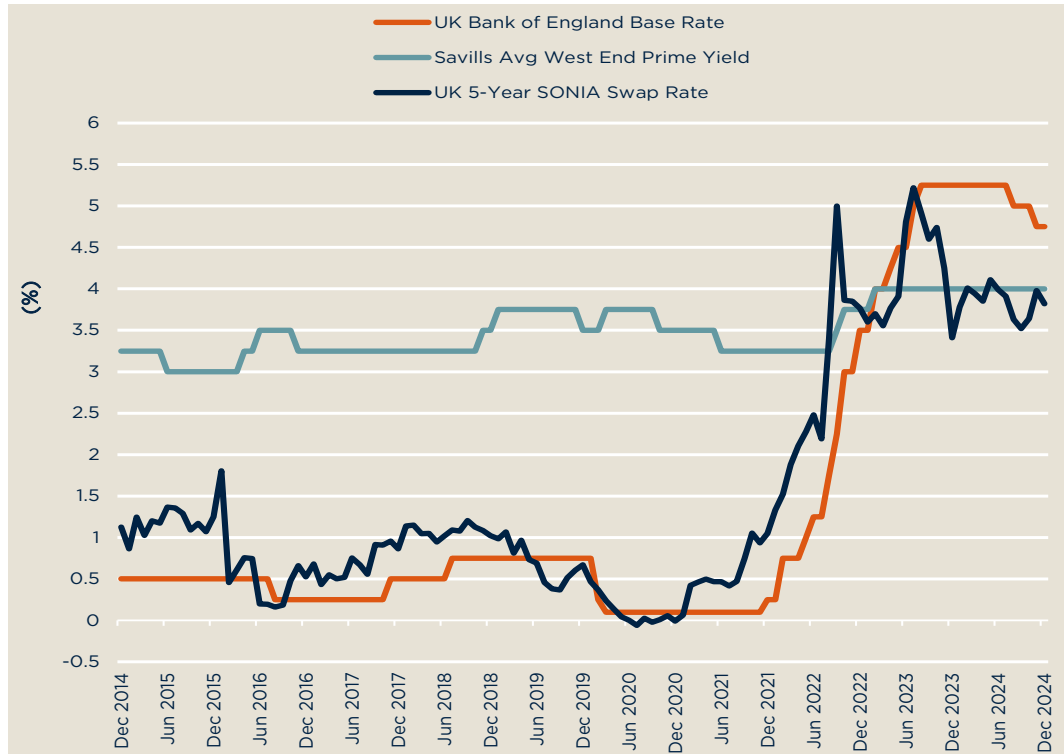


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of buyable assets are below £20m

Graph 3

West End Yield & Finance Rates



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