

West End Investment Watch



Transactions and new stock remain subdued, with demand prevailing for well-located assets

Despite the upswing in activity toward the tail end of 2023, we witnessed a muted start to the year, which is very typical. Only four transactions took place in the first month of the year with a combined volume of approximately £160.5M. January has witnessed average volumes of £575M over the past five years and £522M over the past ten years, both spread across eight transactions. This year's total volume sits at approximately a third of these levels and well below January 2022, where we reported our highest turnover on record at £1.58Bn.

The majority of January's transactions were marketed in Q4 last year, as buyers continue to pursue well-located assets with strong existing and/or future leasing prospects. These simple criteria define almost all current UK requirements.

The largest transaction was Vogue House. The landmark building on Hanover Square, formerly owned by Condé Nast Publications, offers short-term vacant possession with the opportunity to reposition and extend the existing area to 88,074 sq ft. Following a competitive bids process and abortive negotiations, Global Holdings purchased the long leasehold interest for £73M, reflecting £1,163 per sq ft.

Another notable transaction was Shaftesbury Capital's sale of Tower House, 8-14 Southampton Street. Purchased by Habro, the freehold interest comprises 53,363 sq ft of office, retail and residential accommodation, multi-let to seven tenants at a total rent of £3,592,785 per annum, reflecting £78.24 per sq ft on the office accommodation with a WAULT of 3.9 years to expiries. The acquisition marked its fifth acquisition in Central London over the last 18 months.

On the value-add side, Bywater acquired the freehold interest in 34-36 Foubert's Place for £22.0M, reflecting 4.63% and £1,082 per sq ft. Single let to Molinare TV & Film

for 2.5 years, the asset provides the opportunity to add value through additional massing and the conversion to F&B at ground and lower ground floors.

We are witnessing a stock shortage with the volume of newly marketed assets at £365.9M across nine deals, which is down 40% compared with both 2023 and 2022. This leaves much of the roster of available deals marketed in 2023 and remaining unsold. Of the circa £2.64Bn of available stock (across 78 deals), only 14% by deal volume was newly marketed in 2024. Notably, of the remainder, over a third was marketed before 2023.

The number of deals agreed have also been scarce. We are monitoring £841.3M under offer across 27 transactions, with just one transaction being agreed in January. As these transact, they will provide welcome new evidence which will help inform pricing in the face of subdued investment volumes.

Savills prime yield stands at 4.0%; the Bank of England base rate remains at 5.25% and the SONIA five-year swap rate is 4.01%.



4 January trades across £160.5M



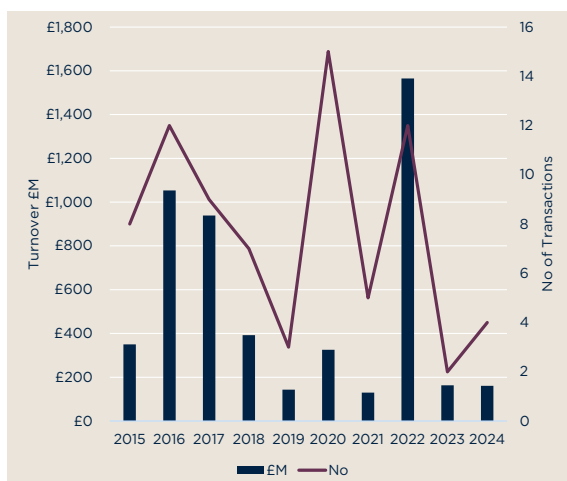
Newly marketed stock is down 40% compared with 2023



A third of available stock marketed before 2023

January Turnover

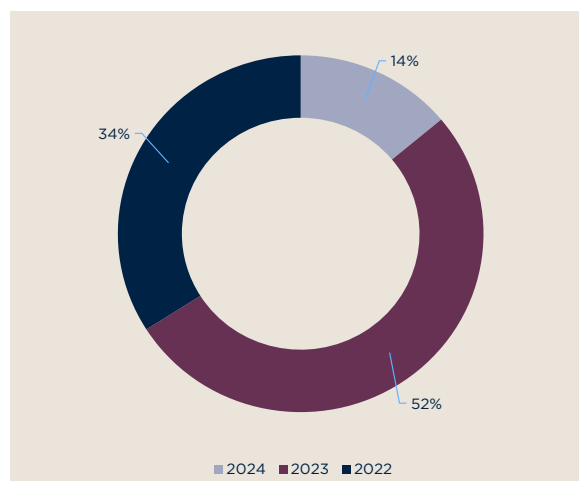
Graph 1



Source: Savills

Marketing Commencement of Available Stock

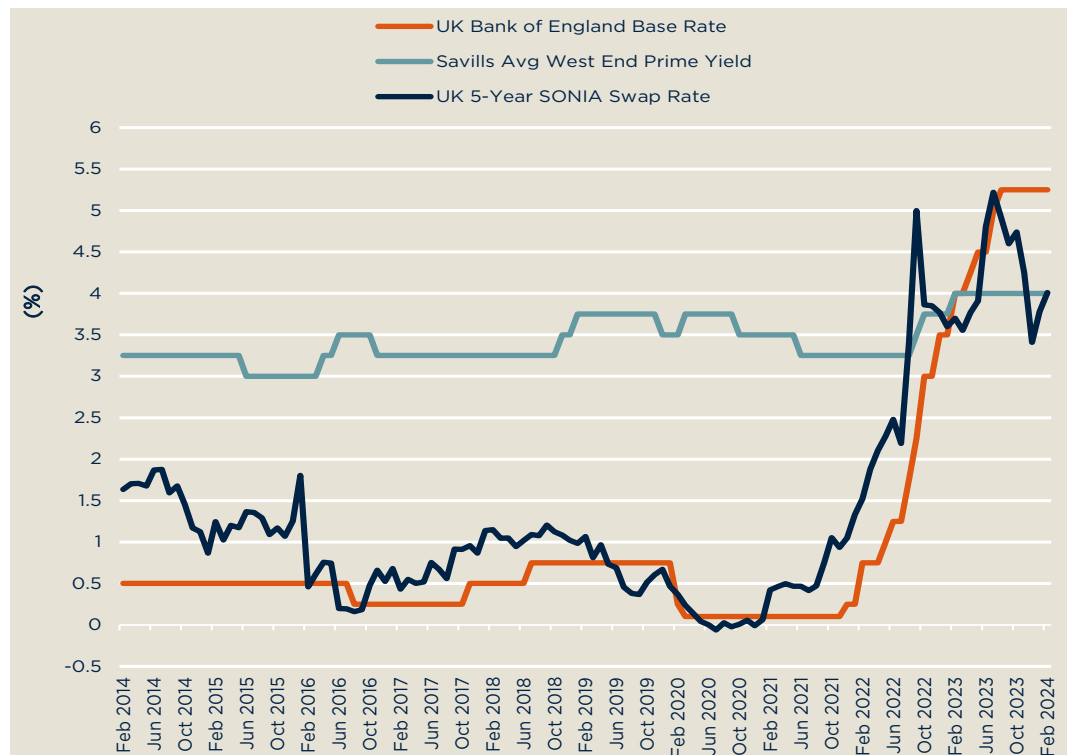
Graph 2



£841.3M under offer, with just one transaction agreed in January

West End Yield & Finance Rates Graph

Graph 3



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