

West End Investment Watch



Investors exercise caution amidst unsettled macroeconomic conditions

Despite the increase in momentum in Q4 2024 producing the year's highest quarterly figure by volume (£1.29bn), this improvement in activity has not continued into the early stages of 2025. Seasonally, it is rarely a busy time to close deals unless they 'hangover' from the previous year and financial market volatility will have done little to give investors faith in the macro-economic environment. January saw UK 10- and 30- year gilts climb to their highest levels since 2008 reaching 4.89% and 5.44% respectively, whilst CPI rose to 3.0% from 2.5% in December 2024, marking the highest inflation rate since March 2024.

Historically, January has witnessed 5-year average volumes of £469M and 10-year average volumes of £522M, both spread across 8 transactions. However, we have recorded only one transaction in January 2025, the widely reported Norges Bank Investment Management's (NBIM) high profile acquisition of a 2.5% stake in a new headlease structure of Grosvenor Estate assets for £305.7M, comprising 75 long leasehold properties across a total of 2.3 million sq ft centred around Mount Street and Grosvenor Street. Grosvenor will retain the remaining 75% interest in the estate and will continue to manage the portfolio as part of a joint venture agreement.

We understand terms were agreed on three assets in January. The largest was BC Partners' search for an JV equity partner in the development of 1 Museum Street which would deliver the first high rise office building in the West End in 50 years, totalling c.220,000 sq ft (NIA) across four self-contained buildings. Other sales to proceed include the Buccleuch Estate's acquisition of 116-126 Wardour Street from Landsec, comprising 12,440 sq ft of freehold, mixed-use accommodation, and the freehold disposal of 41 Albemarle Street by Thai Airways.

Overall, we are monitoring £1.26bn of stock under offer across 27 transactions, representing a 21% increase in volume on 2024 figures. As we see these transactions exchange, we expect to see purchaser sentiment improve as newly created evidence will help inform pricing levels.

New sales in January totalled £458M of stock across 12 assets, representing 23% of all stock currently being marketed. This includes two assets with price tags of £100M+, 11-12 Hanover Square and 101 New Cavendish Street. 11-12 Hanover Square is being sold by Aviva / PSP and provides a rare opportunity to acquire a freehold office and retail property on one of London's most sought-after squares. With a WAULT of 4.3 years to expiry, the building provides the opportunity to capture significant local rental growth with a quoting price of £160M / 4.10% / £3,421 per sq ft. Welput's disposal of 101 New Cavendish Street comprises 101,008 sq ft of office and retail accommodation situated on a freehold island site. The commercial income produces a total passing rent of £6,584,899 per annum, reflecting £65.15 per sq ft with a WAULT of 5.95 years to expiries and 3.2 years to breaks, with 51 self-contained residential units held on long leasehold interests. Offers are invited for the freehold interest in excess of £116,000,000 / 5.59% / £1,148 per sq ft.

Savills prime yield stands at 4.0%; the Bank of England base rate has been cut to 4.50% and the SONIA five-year swap rate is 3.89%.



January trade recorded

£1.26bn

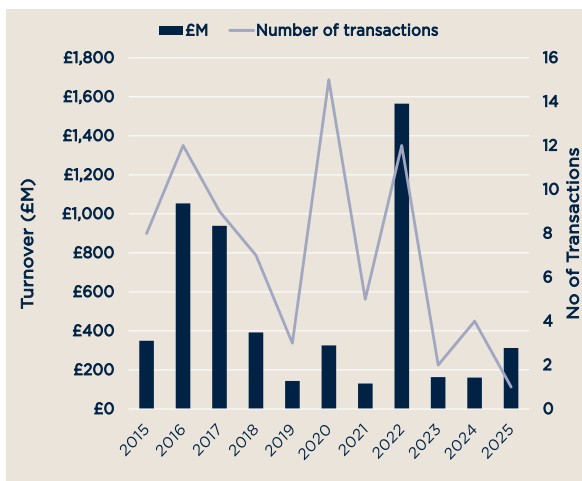
of stock currently under offer across 27 transactions



c.50% of available stock is of 'core plus' profile

Graph 1

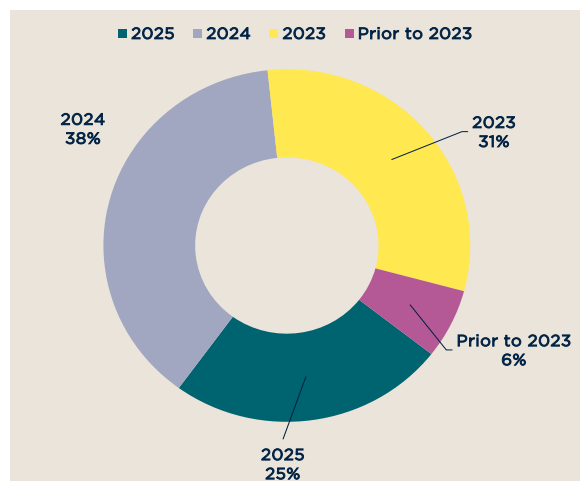
January Turnover



Source: Savills

Graph 2

Marketing Commencement of Available Stock

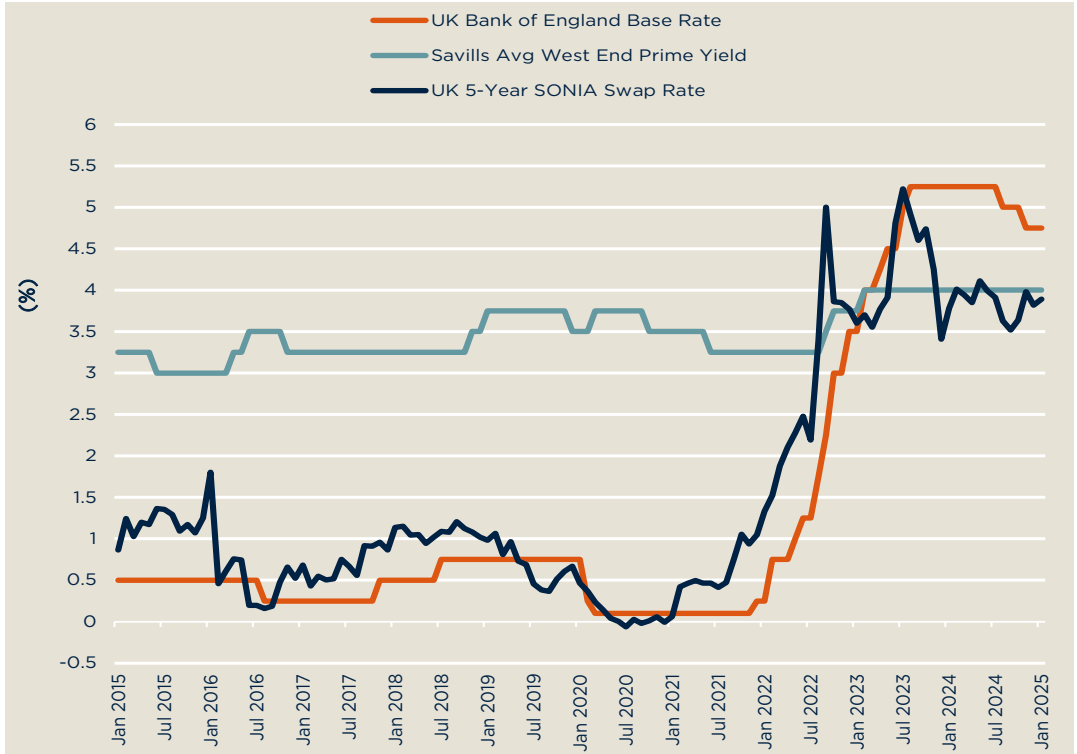


25%

of available stock has been released to market in 2025

Graph 3

West End Yield & Finance Rates



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