

West End Investment Watch



2023's close brings boost to investment volumes

December's turnover totalled £746m across 12 transactions, contributing to 21% of the West End's annual total volume and 14% by number of transactions. December marked the highest monthly turnover by volume and contributed to the highest quarterly figure this year (both by volume and number of transactions), with traditional year-end pressures and several high profile deals closing in the run up to Christmas.

Despite this upswing in activity towards the tail end of the year, subdued H1 figures and the macro-economic challenges that continued over the course of the year resulted in cumulative annual transactional activity below the 5 and 10-year average by 43% and 85%, respectively, at £3.53Bn across 87 transactions. This is in stark contrast to the peak in 2015 of £8.58Bn.

The record monthly activity was fuelled by the inevitable closure of several transactions by year end. The most significant of these, and the biggest West End sale of the year, was the sale of part of the Langham Estate. Project Lotus, a portfolio of 27 assets comprising circa 432,500 sq ft NIA of office, medical, education, retail and residential accommodation, exchanged with Savills acting for the vendor.

Another notable transaction was Vestas Investment Management's sale of 125 Shaftesbury Avenue, advised by Savills. Purchased by Mitsubishi Estate and Edge, the freehold building comprises circa 180,000 sq ft of vacant office and retail accommodation providing considerable optionality to reposition the asset, including additional massing and activating new terraces.

Across 2023, domestic buyers retained their status as the dominant buyer group, accounting for 31% of turnover by

volume and 43% by number of transactions. Asian investors accounted for the second largest share of annual turnover, however European investors accounted for a higher percentage of share by number of transactions.

Clear winners in challenging liquidity have invariably been a 'flight to quality' by both location (2-4 King Street, SW1 and 33 Golden Square, W1) or where there is potential to create best-in-class space (141 Wardour Street and Film House, Wardour Street). With that, a strong focus has also driven interest in prime retail. We witnessed 7 trades on New and Old Bond Street in 2023 to include 27 Old Bond Street (£143M), Swan House, 32-33 Old Bond Street (£103.5M,) and 171 New Bond Street (£76M).

Savills had the highest market share both in terms of volume and deal number, being involved in 22 transactions totalling £1.33Bn, including Film House, W1 (£132.5M), Haymarket House, SW1, 33 Foley Street, W1 (£82M) and 19-22 Rathbone Place, W1 (£61.48M). This brings Savills 2023 West End market share to a leading 35.1% by turnover.

Many commentators have speculated we are close or have already passed the nadir in pricing. Given the robust occupational market, shrinking tenant choice, pressure on prime rents and speculation finance rates are falling, this is a possibility albeit a broader buyer base is still required and even then not all asset categories will recover at the same rate.

Savills West End prime yield remains at 4.0%, the Bank of England base rate remains at 5.25% and the SONIA five-year swap rate remains stable at 3.78%.



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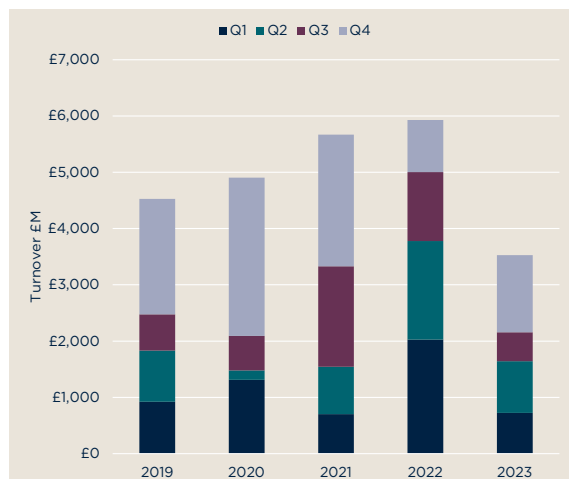
87 assets transacted in 2023 totalling £3.53Bn



December marked the highest monthly turnover by volume at £746m

Investment Volumes

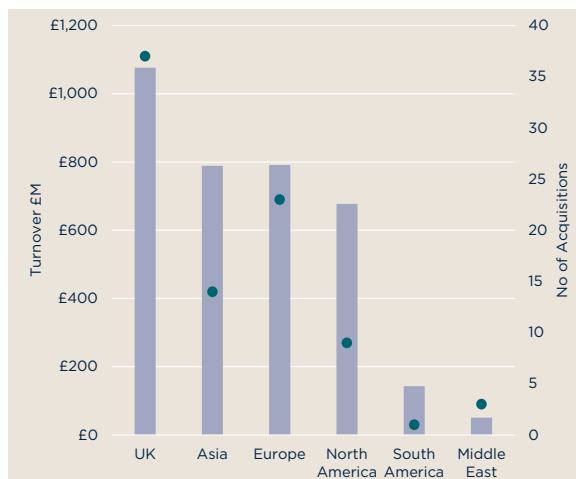
Graph 1



Source: Savills

2023 Turnover by Purchaser Nationality

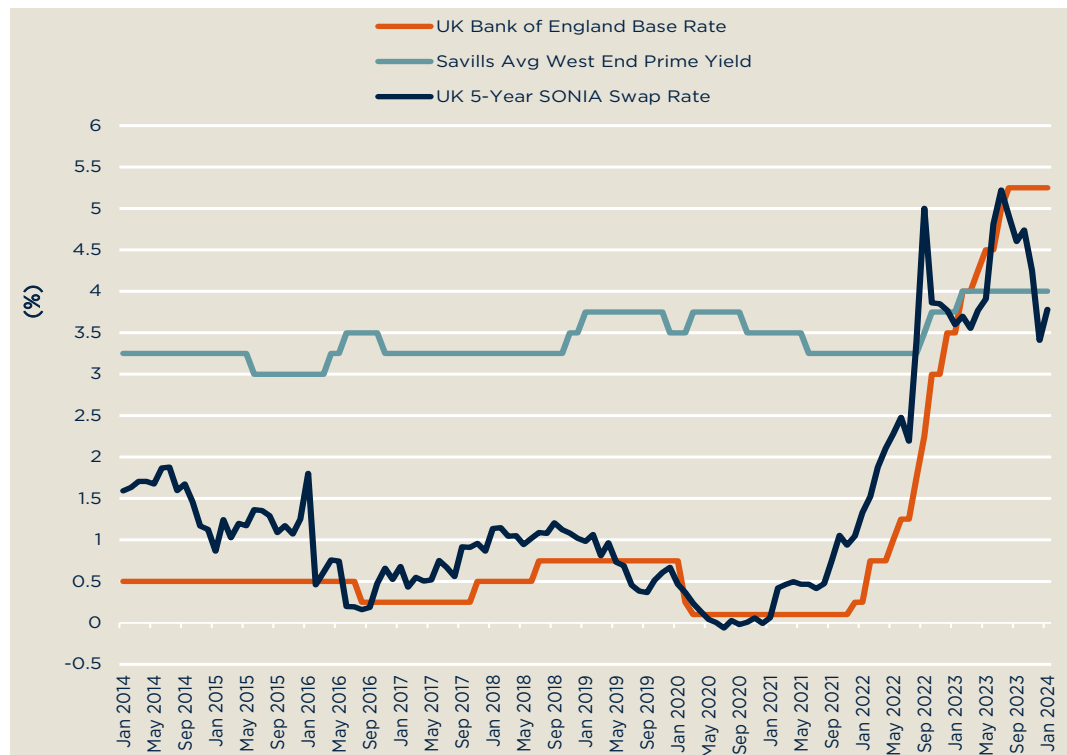
Graph 2



Domestic investors were the most active buyers

West End Yield & Finance Rates Graph

Graph 3



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