

West End Investment Watch



Busiest month to date by volume

June witnessed an investment volume of £425M across 7 transactions, bringing Q2 turnover to £939.50 M (across 29 deals) and H1 turnover to £1.65 Bn (across 42 deals). Q2 sits in line with the 5-year average by volume and deal number, however given the slow start to the year, H1 totals are tracking 20% below by volume and 5% below by deal number.

Notwithstanding this, we have seen growing momentum and sustained investor appetite for high quality assets in defensive micro locations, perhaps best illustrated by the analysis of June's activity, which saw the highest volume trade this year to date and two trades in excess of £100M.

In the largest transaction of the month, Savills acted for Hines, on behalf of Hines European Value Fund 3, in its acquisition of Film House, Soho, W1. Built in the late 1920s, Film House is a landmark corner building on Wardour Street, comprising 94,000 sq ft of office accommodation and 9,000 sq ft of restaurant space. The vacant building will be refurbished to comprise best-in-class workspace with embedded ESG credentials. This transaction is another illustration of continued investor demand for the Tottenham Court Road micro-location, given the strong occupational market fundamentals, excellent surrounding amenity, and public transport connectivity from the Elizabeth Line.

In the third trade this year on Old Bond Street, the freehold interest in Swan House, 32-33 Old Bond Street, W1, has exchanged to Swatch Group. The mixed use building comprises 14,963 sq ft of office and retail accommodation, fully let to Gucci and Yves Saint Laurent for 10 years. Pricing reflected £105M, 3.11% and £7,017 psf, highlighting the unwavering buyer demand for the address, as well as the relative resistance to pricing movement with these three deals all trading for sub 3.25% NIY.

These two deals bring the total number of trades in excess of £100M to five for H1 2023, compared with nine across the same period in 2022, undoubtedly a function of the high rising interest rate environment. Of the 7 deals recorded in June, 6 comprise freehold interests, notably including 19-22

Rathbone Place, W1, acquired by JP Morgan (Q.£67.5M, 4.25%, £1,640 psf), 27 Soho Square, W1, acquired by Kajima (£45.50M, 4.65%, £1,468 psf) and 94 New Bond Street, W1, acquired by a private Spanish investor (£32.25M, £3,736 psf).

We are tracking £995M under offer across 25 deals, and in a continued theme of H1 this is dominated by smaller lot sizes, of which 60% (by number) are below £50M.

June witnessed a flurry of openly marketed opportunities, of which Savills are marketing the largest three opportunities. On behalf of Vestas Investment Management and Savills Investment Management, Savills is marketing the freehold interest in 125 Shaftesbury Avenue, W1; a prominent 1.2 acre site positioned at the epicentre of Soho, Covent Garden and Tottenham Court Road. The asset, offered with full vacant possession of the office accommodation, provides the opportunity to comprehensively refurbish or reposition the 177,809 sq ft building, that benefits from the rarity of floorplates in excess of 20,000 sq ft.

On behalf of BC Partners, Savills is marketing the freehold interest in The Wingate, W1, a mixed-use building occupying a peninsula site in Soho, benefitting from exceptional ESG credentials of EPC B and BREEM 'Excellent'. The building comprises 73,522 sq ft of Grade A office, retail and leisure accommodation with terracing on four floors, multi-let to a diverse range of tenants generating an overall annual rent of £5.25 million and a WAULT of 11 years to expires and 9.6 years to breaks.

As we move into July, we are tracking 88 openly marketed assets, totalling £3.80 Bn. In an indication of growing vendor confidence in the prospects of asset liquidity, 40% (by volume) was new to market in May and June showing no indication of a slowdown over the summer months.

Savills prime West End yield remains at 4.0%, the Bank of England base rate has increased to 5.0%, and the SONIA five-year swap rate has increased 40 bps to 5.22%.



Savills marketing the three largest open market sales



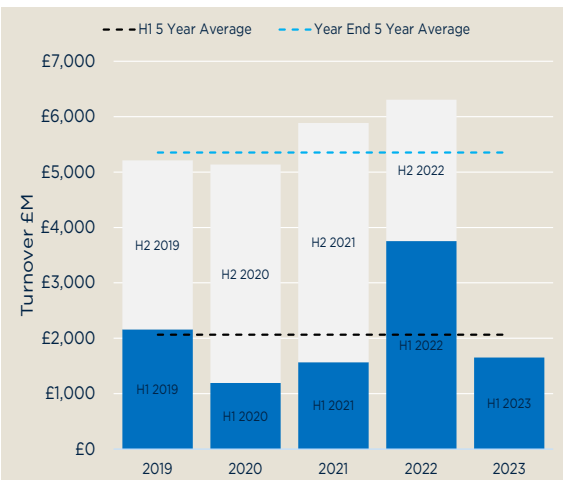
Three trades this year on Old Bond Street



Smaller lot sizes dominate - 60% of assets under offer are below £50M

5 Year Investment Volumes

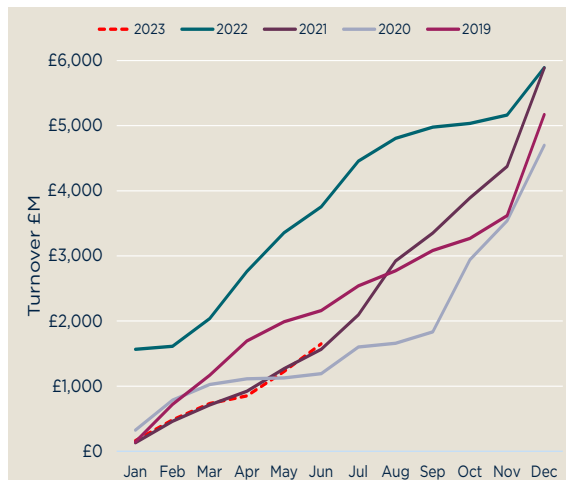
Graph 1



Source: Savills

5 Year Cumulative Volumes

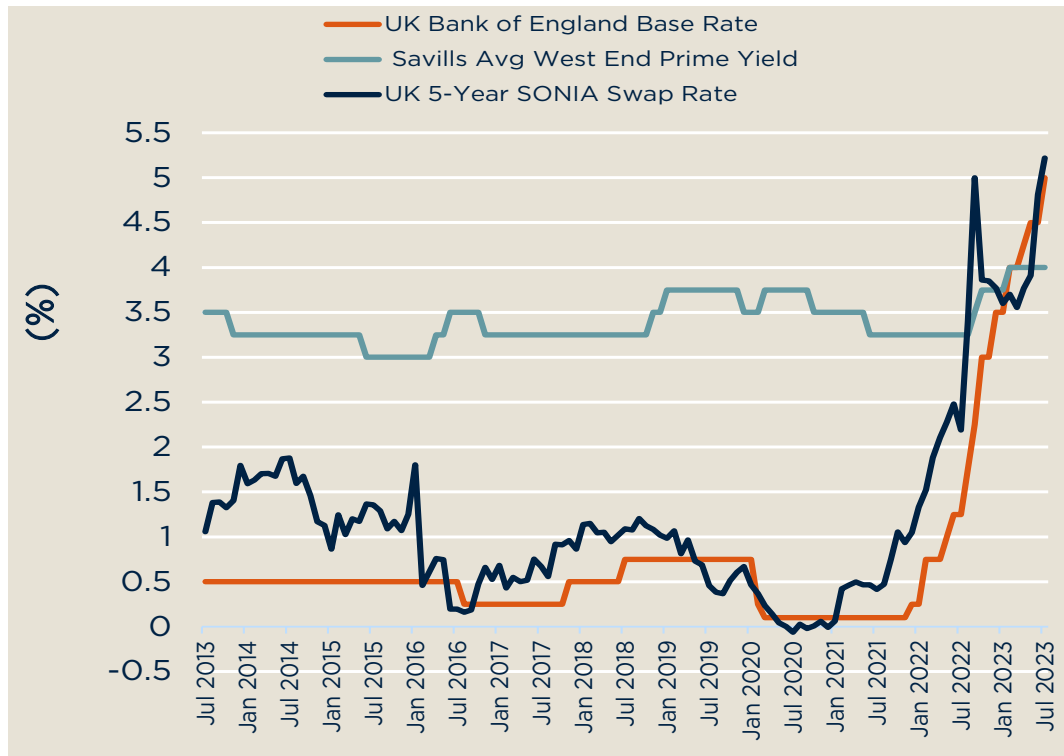
Graph 2



Sustained momentum through the summer months, with 40% of available assets marketed in the last 2 months

West End Yield & Finance Rates Graph

Graph 3



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