

West End Investment Watch



Growing focus on retail boosts turnover

May witnessed only six transactions totalling £166 million, accounting for only 9% of year-to-date trades. Cumulative annual investment volumes stand at £1.83 billion (across fifty-one deals), which is marginally ahead of the five year average, albeit down 33% on the last decade. Notably, the mean deal size of £36m sits 26% below the long term average and we continue to witness a dearth of trades of scale in light of the continuous high cost of finance. Approximately 40% of YTD trades (by number) have been sub-£20m assets.

GPE acquired the long leasehold interest (155 years unexpired at a peppercorn rent) in The Courtyard, 1-3 Alfred Place, WC1 (£28.6m & £462 psf) from The City of London Corporation (who were advised by Savills), marking the REIT's third West End acquisition within the last 12 months. The building comprises approximately 62,000 sq ft of vacant offices and part-let retail, which will undergo a substantial refurbishment programme (at a budgeted cost of c.£62 million) to comprise best-in-class, fully managed workspace. The deal was structured by way of a land-swap, with The City of London Corporation acquiring GPE's part-virtual freehold and part-long leasehold (21 years unexpired) interests in 95/96 New Bond Street (£18.23m & £2,039 psf). The retail element is let to LK Bennett.

New Bond Street is the West End's most popular address for investment so far this year, recording four trades and representing 22% of deal volumes. The street's defensive investment characteristics, including high lettable prospects and robust rental growth forecasts is a key driver for investors seeking long-term wealth preservation. In the latest transaction, Weybourne has acquired the virtual freehold interest in 126-127 New Bond Street, W1 from a private Hong Kong investor. The property comprises 12,900 sq ft, single-let to fashion house Swaine London until March 2032, passing off a rent reflecting £1,342 ITZA. Pricing is understood to be £71m, c.3% & £5,503 psf.

Savills is tracking 26 deals under offer totalling £648m; only 3 of these deals fall within the £50m+ bracket. Lai Wing-To's freehold interest in 291 Oxford Street & 2 Harewood Place, W1 was placed under offer (Q. £71.35m, 5.76% & £2,727 psf). The building comprises two retail units let to McDonald's and EE, passing off rents ITZA of £1,096 and £968 respectively, and the upper floors comprise part-let offices passing off an average rent of £68 psf.

May was muted in terms of openly marketed stock, with only six assets marketed at a combined quoting price of £221m. Supply remains constrained across the West End in the continued absence of distress. Lenders and owners alike continue to adopt a 'wait and see' approach, and given the nature of ownership in the West End, investors are less subject to the cost of finance or debt funding gap. This demand/supply imbalance is evident as many buyers are looking to capitalise on the current conditions and acquire at a perceived discount.

In only the second office asset above £100m to be openly marketed so far this year, JP Morgan is guiding a price of £135m, 4.34% & £2,261 psf for the freehold interest in Times Place, 45 Pall Mall, SW1. They acquired the building for £116.5m in February 2021. The owner has completed a c.£10m refurbishment programme to include a new reception, communal amenity, plant and an upgraded third floor, which achieved a rent of £127.50 psf. The remaining eight office floors are let in an unrefurbished state. The building has a WAULT of 5.5 years to expiries and 4.1 years to breaks. If successful, Times Place will be the first £100m+ income-producing office trade of the year, which will provide a useful benchmark as we enter the second half of 2024.

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 3.99%.

51

2024 deals, totalling
£1.83bn

40%

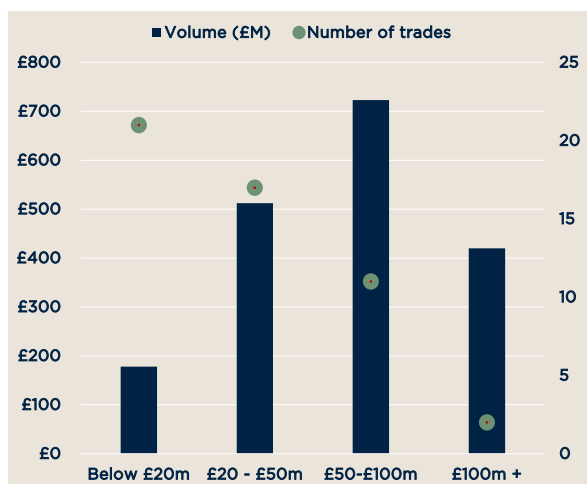
of deals done are below
£20m



22% of YTD volumes
witnessed at New Bond
Street

Graph 1

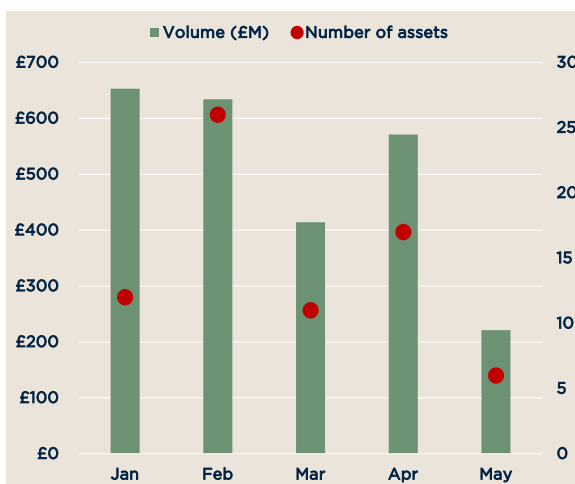
Year-to-date transactions by lot size



Source: Savills

Graph 2

New availability by month

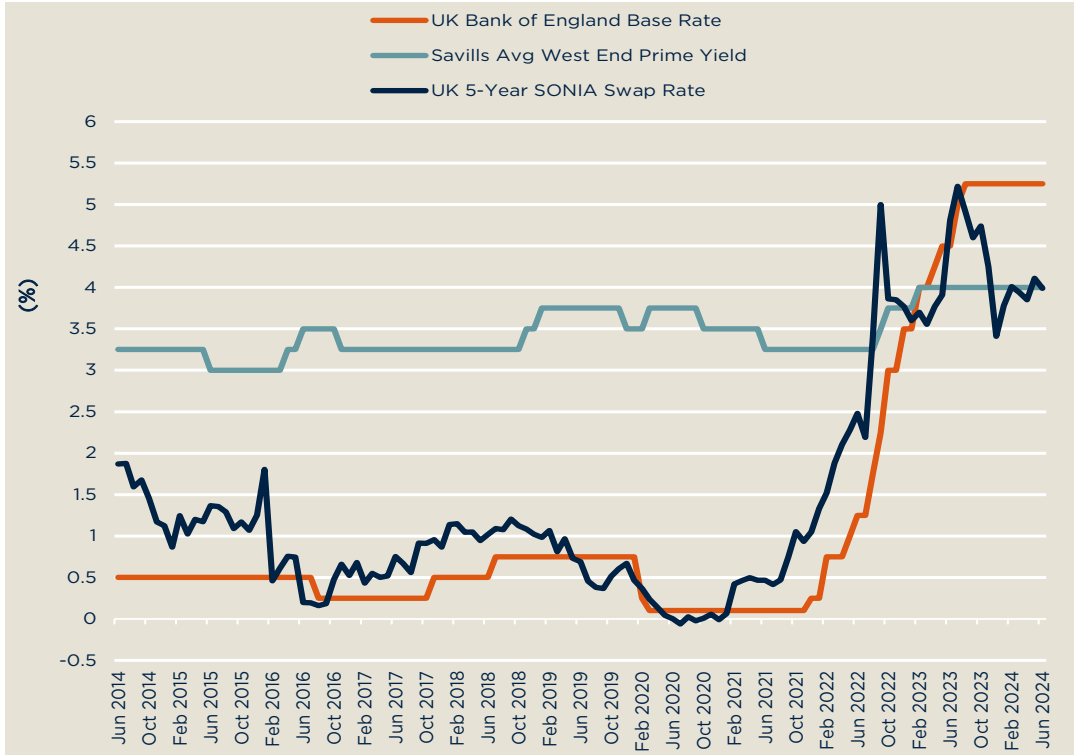


£2.3bn

total availability, with only
7 options above £100m

Graph 3

West End Yield & Finance Rates



Savills contacts

Please contact us for further information

Paul Cockburn

Director
West End Investment
0207 409 8788
pcockburn@savills.com

Will Post

Associate Director
West End Investment
0207 107 5490
william.post@savills.com

Deri Ashford

Research Analyst
Commercial Research
0207 409 5903
deri.ashford@savills.com

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