

West End Investment Watch



Buyers' options grow albeit for smaller lot sizes

West End investment volumes totalled £343M in February spread across three transactions, bringing cumulative annual turnover to £503M across 5 transactions, which sits in line with the 5 year average by volume, however reflects a 52% fall by number of transactions.

The largest transaction in February (and year-to-date) was GIC's acquisition of a 75% stake in Tribeca, NW1, which reflects an approximate land value of £300M. The vendor, British Airways New Airways Pensions Scheme, has retained a 25% stake in the development scheme, which is currently under construction with phased completions anticipated between June 2023 to September 2026. The scheme comprises five buildings providing 1 million sq ft of laboratory, office, retail and restaurant accommodation alongside an 87-room hotel and 69 residential units. In the last 12 months GIC has accounted for c.20% of volume in the West End following its acquisition of the 75% stake in Paddington Central in April 2022. This also marks GIC's second life sciences focused acquisition following 17 Columbus Courtyard, Canary Wharf, which exchanged in January 2023.

The freehold interest in 50 Broadway, SW1 marketed by Savills, on behalf of Harel, and development partner Valeo Capital, completed in February 2023 having exchanged in December 2022. The comprehensively refurbished office building extends to 72,560 sq ft and was pre-let in its entirety to the UK Government for a term of 20 years from June 2021, subject to a tenant break option on the 15th anniversary of the term. The asset was acquired by a high net worth investor, with final pricing reflecting c.3.75% NIY, providing a strong barometer for well-located assets with long-dated and defensive income profiles.

Savills is tracking £1.2BN under offer across 24 deals, of which 77% by volume (£925M) was agreed in 2022. Compared with this time last year, the quantum under offer is less than half (by volume) but spread across

the same number of deals, indicating a clear liquidity weighting towards smaller lot sizes, with larger assets more impacted by the rising cost of debt we have witnessed in the last six months.

Only four assets were openly marketed over the course of February with a combined volume of £88M, bringing the cumulative volume of newly marketed assets in 2023 to £638.5M. This includes the freehold interest in Artillery House, being sold by Benesco Charity at a quoting price of £52.5m / 5.24% / £794 psf. The mixed-use Grade II listed building is multi-let to nine occupiers for a WAULT of 3.8 years.

Despite the low volume of newly marketed assets this year, total availability stands at £3.55BN across 80 buildings. 42% of total availability by volume sits across just six assets, all of which are Core Plus opportunities. These six assets also represent the only available stock in the West End over £100M, highlighting the hesitancy for vendors to openly market larger lot sizes.

As we enter March, we are observing a settling of investor caution and improving vendor confidence, albeit this has materialised through a number of off-market and closed processes, with owners remaining cautious about openly exposing assets to the current market in fear of them incurring a downstream stigma should that open marketing prove unsuccessful.

In the face of continued stock shortage and macroeconomic headwinds, Savills prime West End yield stands at 4.00%. The Bank of England base rate remains at 4.00% and the SONIA five-year swap rate stands at 3.55%.



Savills has advised on 25% of transactions over £20M in 2023



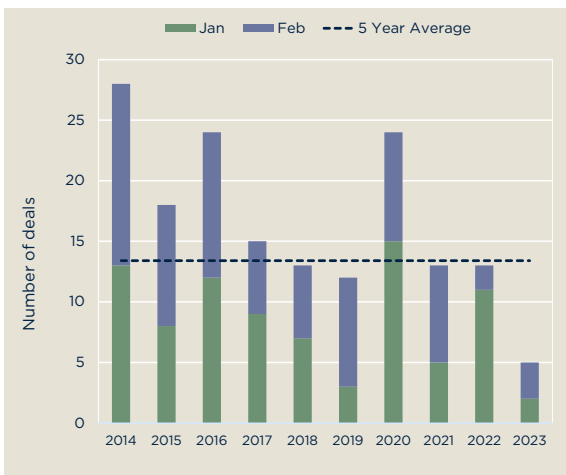
1 trade above £100M in February



77% of volume under offer represents deals agreed in 2022

January & February transactions

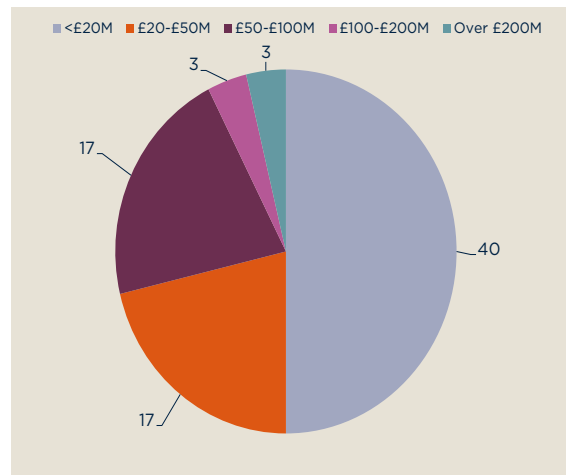
Graph 1



Source: Savills

Openly marketed assets by lot size

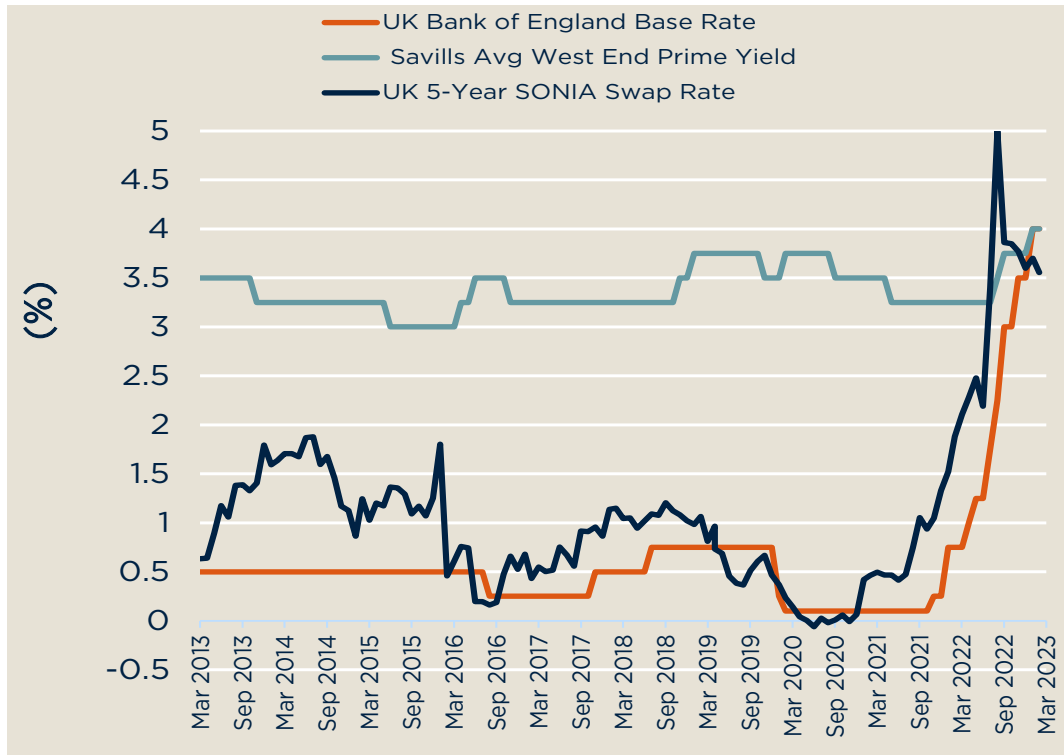
Graph 2



11 assets openly marketed this year (£342M by volume)

West End Yield & Finance Rates Graph

Graph 3



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