

West End Investment Watch



Investment volumes and availability remain subdued

West End volumes totalled £131m in February spread across 8 transactions. This figure represents around a third of the average volumes witnessed over the last decade during this period, but does show an increase in the number of transactions compared with January. This brought cumulative annual turnover to just under £300m across 12 transactions, a 60% and 67% decrease on the 5 and 10-year averages respectively, and the lowest YTD we have seen since 2010.

Whilst we have witnessed a slow start to Q1 in volume, the West End is just 12% down on the 5-year average in terms of number of transactions, at least demonstrating some liquidity in repriced smaller sizes. The average lot size year to date is £16.4m in stark contrast with the 5 and 10-year averages of circa £62m.

The largest transaction in February was Columbia Threadneedle's disposal in The Colonnades Estate, Porchester Road, W2. The majority of the estate (72% of the income) comprises a 45,000 sq ft supermarket let to Waitrose for a further circa 12 years. There are also five retail, restaurant and leisure units and a vacant pub. Having previously been marketed in 2021, the asset was purchased by a private investor for £33.5m, reflecting 6.68% and £272 per sq ft.

Another key transaction was Oval's acquisition of the 118 year long leasehold interest in 33 Grosvenor Street, W1 following abortive conversations with a previous buyer. Designed by Squire & Partners and developed by Grosvenor in 2016, the property comprises 11,669 sq ft of office accommodation let to Floreat House Limited for a further 8 years at a gross rent of £1,150,000 per annum, reflecting £98.55 per sq ft. The purchase price paid was £20.0m, reflecting 4.87% and £1,714 per sq ft, nearly a 40% discount from when Floreat purchased the building in 2016.

In another Mayfair transaction Savills advised the vendor, a private investor, on their disposal of 33 Sackville Street, W1. Located on the eastern side of Mayfair, this Grade II listed Georgian townhouse comprises 3,820 sq ft NIA and was offered with full vacant possession. The property was purchased by a Swiss owner occupier in excess of the asking price at £7.75M, reflecting £2,363 per sq ft. There is the opportunity for value enhancement through potential massing and asset management of the existing space, subject to the necessary consents.

We have seen 12 newly marketed assets in February, a 50% increase compared with January however still down on the long-term average. All newly marketed opportunities are below £50m, with the largest being AFIAA's interest in Schomberg House, 80-82 Pall Mall, SW1. Held by way of long leasehold interest from The Crown Estate, the property comprises 37,279 sq ft of comprehensively refurbished office accommodation single let to Permira Advisors (London) Ltd on a lease expiring in October 2034 at a gross passing rent of £3,000,000 per annum, reflecting £80.47 per sq ft. Other assets include LBS/Baumont's freehold interest in 95 New Cavendish Street, W1 (Q £24.0m, £1,161 per sq ft) and British Land's freehold interest in 17-19 Bedford Street, WC2 (Q £23.3m, reflecting 5.25% on the commercial and £3,100 per sq ft on the residential accommodation).

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 3.94%.



£131m turnover in February across 8 transactions



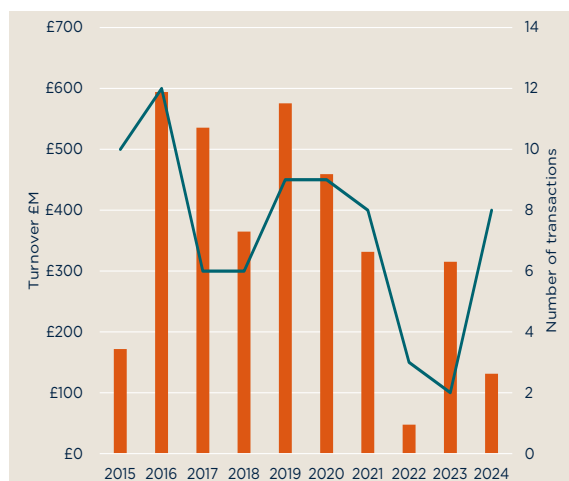
West End saw the lowest YTD turnover since 2010



Average lot size YTD is £16.4M, below the 5 and 10-year average of £62M

February Turnover

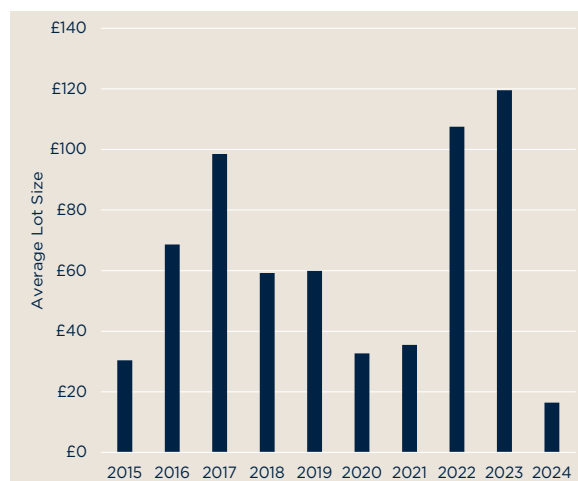
Graph 1



Source: Savills

Average Lot Size

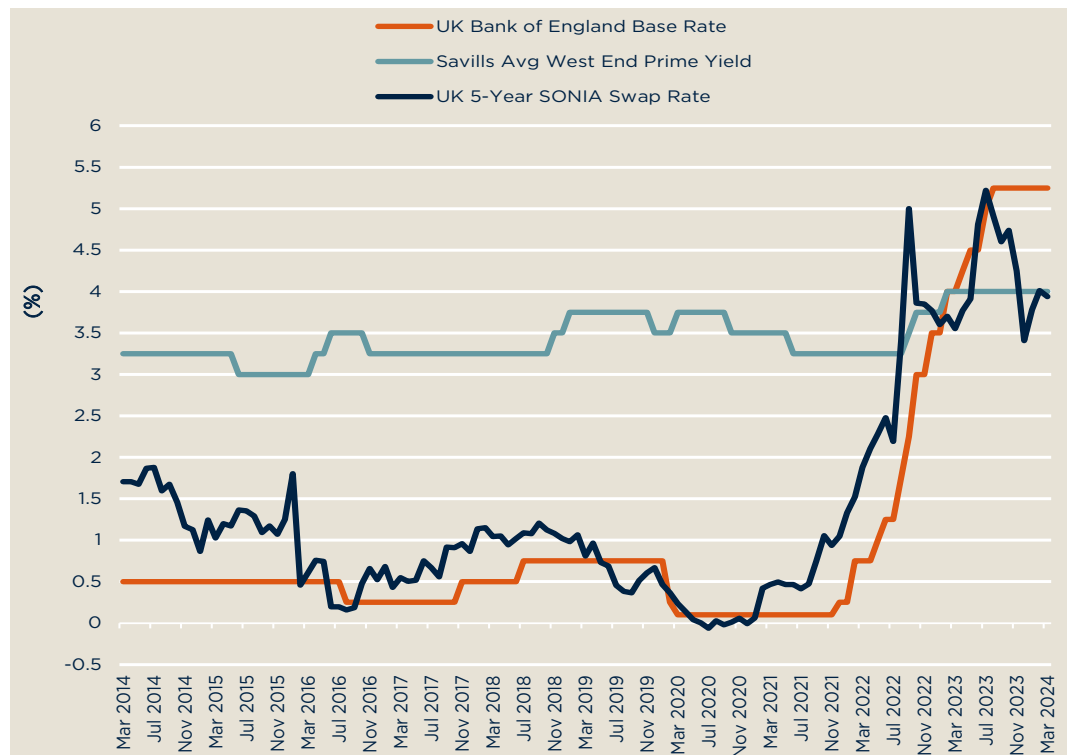
Graph 2



12 newly marketed assets in February, a 50% increase from January

West End Yield & Finance Rates Graph

Graph 3



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

Carly Wood

Associate
West End Investment
0207 229 3070
carly.wood@savills.com

Deri Ashford

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

Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.