

# West End Investment Watch

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## Competitive tension endures for liquid product

In April we recorded investment turnover totalling £113.7m across 5 transactions. This brings cumulative 2023 volumes to £805.35m, spread across 18 deals, which is down 48% on the 5 year average and 64% on the 10 year average (by volume). April witnessed the lowest monthly turnover this year to date however, and in a continuation of last month's theme, reflected an increase in the number of trades as small lot sizes dominated transactional activity.

The largest transaction was Aviva's virtual freehold disposal of Barratt House, 341-349 Oxford Street, W1 to Liu Chong Hing Investment for £44m, reflecting 5.67% NIY and £2,716 per sq ft. The corner building comprises 16,200 sq ft of retail and office accommodation and marks the first acquisition of a Hong Kong based investor since July last year. The property serves as Vodafone's flagship London retail store and the upper parts are fully-let to 4 office tenants, providing income with 5.3 years to expiries and 4.8 years to break options overall.

Another notable transaction was British Land's freehold disposal of 126-134 Baker Street, W1 for £17.3m, reflecting 6.56% NIY and £915 per sq ft. Similarly to Barratt House, the property was originally marketed in June last year and traded at a 20% discount to quote. The property comprises 18,900 sq ft of fully-let retail accommodation with near term vacant possession on the office upper parts, providing the opportunity for repositioning or change of use to residential. Having previously been under offer in Q3 2022, following abortive negotiations, the asset was purchased by an Asian investor.

Marking Savills third successful sale of the year, we advised Consolidated Developments on the freehold disposal of 5-9 Great Newport Street, WC2 to Melford Capital Partners for £40m, which reflects a capital value of £894 per sq ft.

The property comprises 44,724 sq ft GIA of mixed-use accommodation with the benefit of planning permission for a 66 bedroom hotel as well as a theatre and restaurant.

Despite muted transactional volumes, April saw a flurry of deals agreed and bids processes held. Significantly, 14 assets totalling £583.55m were placed under offer in April alone, which is 54% higher than the total volume of deals agreed in Q1. This uptick can be explained by the recent marketing of a number of assets of a liquid lot size and with strong fundamentals, either providing secure income characteristics or substantial repositioning potential. Specifically, 11 of these assets fall within the £10 to £60m bracket; an appealing lot size to a wide buyer pool including private investors and those who possess the ability to complete in cash. Deals agreed include The Portland Hospital, 215 Great Portland Street, W1 (Q. £56m, 3.75%, £1,635 psf), 27 Soho Square, W1 (Q. £50m, 4.23%, £1,613 psf) and ENI House, SW1 (Q. £60m, 5.70%, £959 psf). Subject to the closing of the aforementioned deals, it is clear that investor demand endures for best-in-class product.

Only 4 assets were openly marketed in April totalling £169m, of which three were sub £12m and offered with full vacant possession. Notably 60 Charlotte Street, W1 was re-marketed following abortive negotiations in Q4 last year, representing the first openly marketed income deal above £100m so far this year. This will provide a strong bellwether for demand and pricing for assets of scale, which have been scarce this year and is reflective of the current debt environment.

Savills prime West End yield remains at 4.0% and, at the time of writing, the Bank of England base rate has increased to 4.5%. The SONIA five-year swap rate has increased marginally to 3.91%.



YTD turnover is 48% down on the 5-year average and the lowest in 10 years



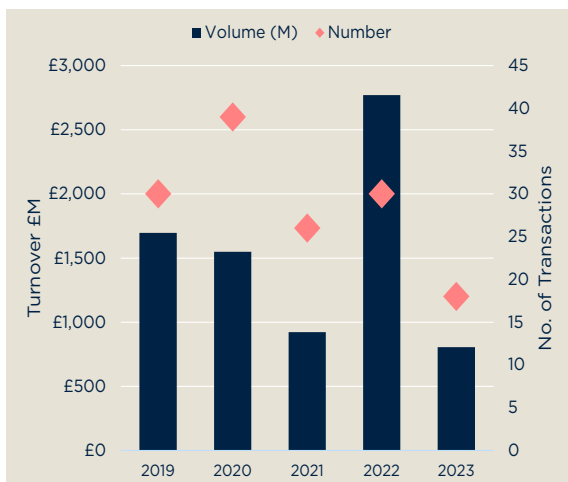
Volume under offer in April is 54% higher than the total Q1 volume



80% of assets under offer are a liquid lot size, falling between £10 - £60m

### YTD Turnover (2019-2023)

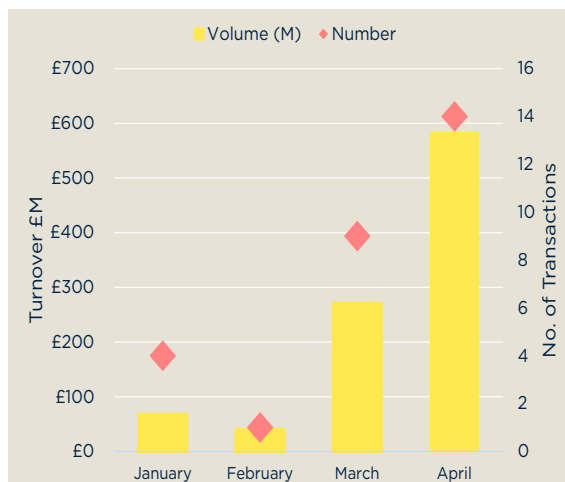
Graph 1



Source: Savills

### Assets placed under offer - monthly comparison

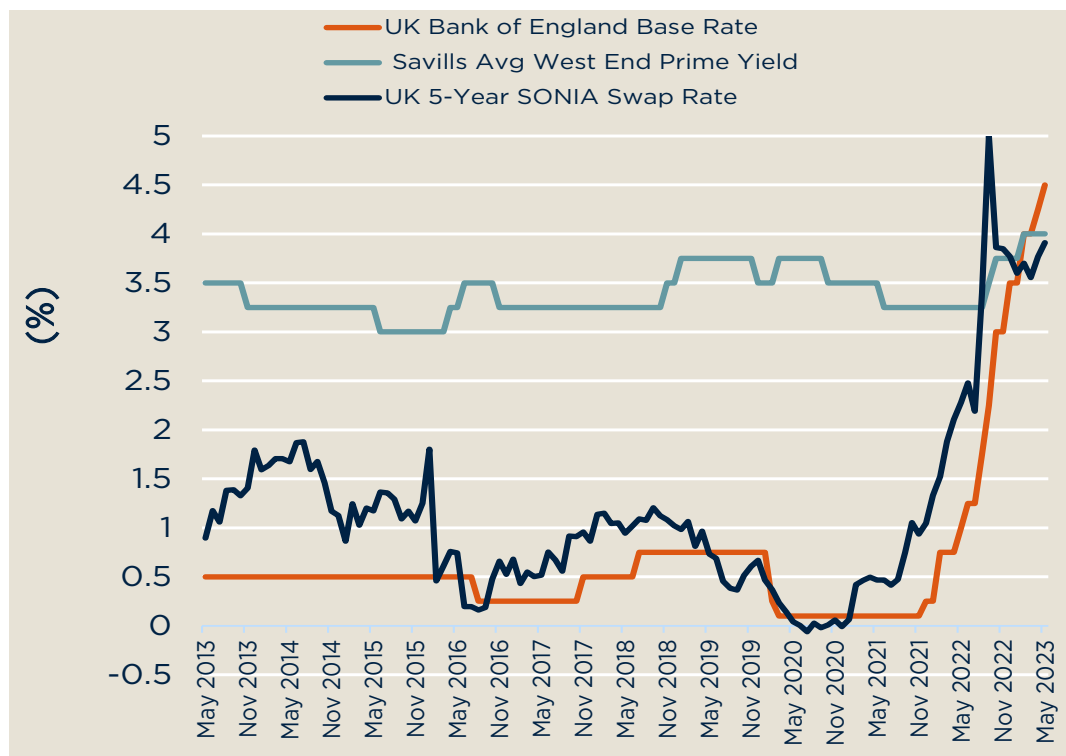
Graph 2



4 openly marketed assets in April (£169m by volume)

## West End Yield & Finance Rates Graph

Graph 3



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