

# West End Investment Watch



## Bid processes set for over £1bn of assets

Q4 commenced with a relatively active October with ten deals exchanging, albeit the majority were sub £20m. This brings the average deal size this year to date to £36.9M, which is 19% below the 5-year average, and is the lowest level it has been since 2014 (see Chart 1). Cumulative annual transactional activity stands at £2.63bn across 64 deals, which sits below the 5-year average figure by 33% and 15%, respectively.

The largest transaction of the month was 171 New Bond Street, W1; a 6,049 sq ft freehold building single let to Harry Winston for a further 5.8 years unexpired. The price paid by Swatch Group of £76M reflects 2.16% & £12,564 psf. Bond Street is regarded as the most prominent and exclusive retail destination in Europe. 10% of YTD trades (7 deals) took place on Bond Street, highlighting its defensive profile in times of economic uncertainty.

Other deals of note included the disposals of Verve, 40 Villiers Street, WC2 to a private Israeli investor; 31-33 North Row, W1 and 34 North Row, W1 to a private UK investor; 1A & 1B Poland Street, W1 to a private North American investor and the sale of Kean House, 6 Kean Street, WC2 to a private Asian investor. Savills acted on all five properties.

The suppressed average lot size of trades has clearly correlated with both the volatile and rising cost of debt. As we witness a downward trend in 5 year SONIA we feel we are witnessing improved liquidity and a growing focus from buyers. Possibly more by chance this has coincided with 13 bids processes set in October (see Chart 2). The aggregate total of the guide prices on sales exceeded £1 billion and had an average of over £100m.

Five assets were placed under offer, with a total investment volume of £218M. This included the freehold interest in 12 Conduit Street, W1, which has since completed to a private Spanish investor. The property comprises 15,902 sq ft of office and retail accommodation, fully let with an unexpired term certain of 3.25 years. Pricing reflected approximately £32M, 3.48% NIY & £2,012 psf.

Vogue House, 1 Hanover Square, W1 has been placed under offer to an unknown party, after a competitive bids process. The landmark building on Hanover Square, owned and occupied by Conde Nast Publications, offers short term vacant possession, with the opportunity thereafter to reposition and extend the existing area to 88,074 sq ft.

The freehold interest in 33 Golden Square, W1, owned by Orchard Street, was newly marketed in October. At the time of writing, it is understood to now be under offer prior to a formal bids process being called. The property comprises 17,030 sq ft of office accommodation single let to Clear Channel UK Ltd with 2.8 years unexpired. Pricing agreed is understood to be ahead of the guide price of £29.3M, 4.50% NIY & £1,722 psf, demonstrating the unwaivered demand and competitive tension for a garden square freehold of a liquid lot size.

Total availability currently stands at £3.94 Bn across 99 assets, of which £522M was marketed in October. Analysing this total, broadly half has been available for less than three months.

Savills prime West End yield remains at 4.0%; the Bank of England base rate remains at 5.25% and the SONIA five-year swap rate has fallen 35 bps to 4.25%.



Savills held 50% market share in October



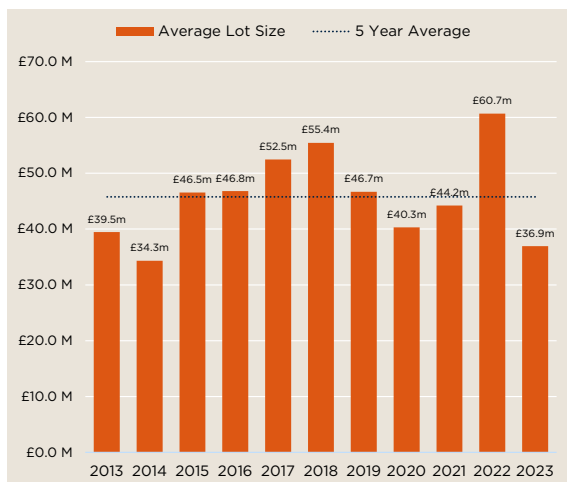
£522M of newly marketed opportunities across 23 assets



80% of newly marketed opportunities being sold by UK vendors

### Jan-Oct Transactions - Average Lot Size

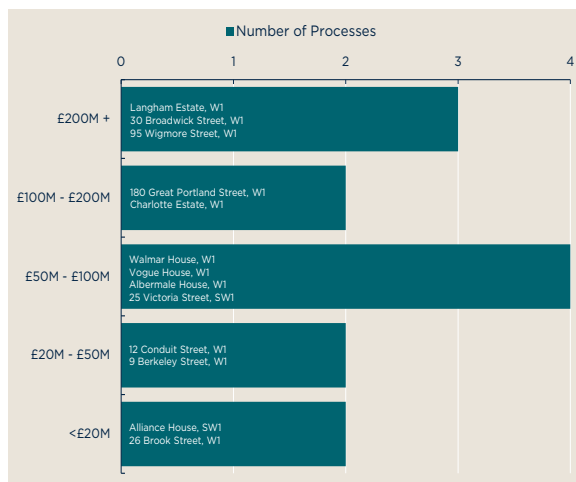
Graph 1



Source: Savills

### Bids Processes in October

Graph 2

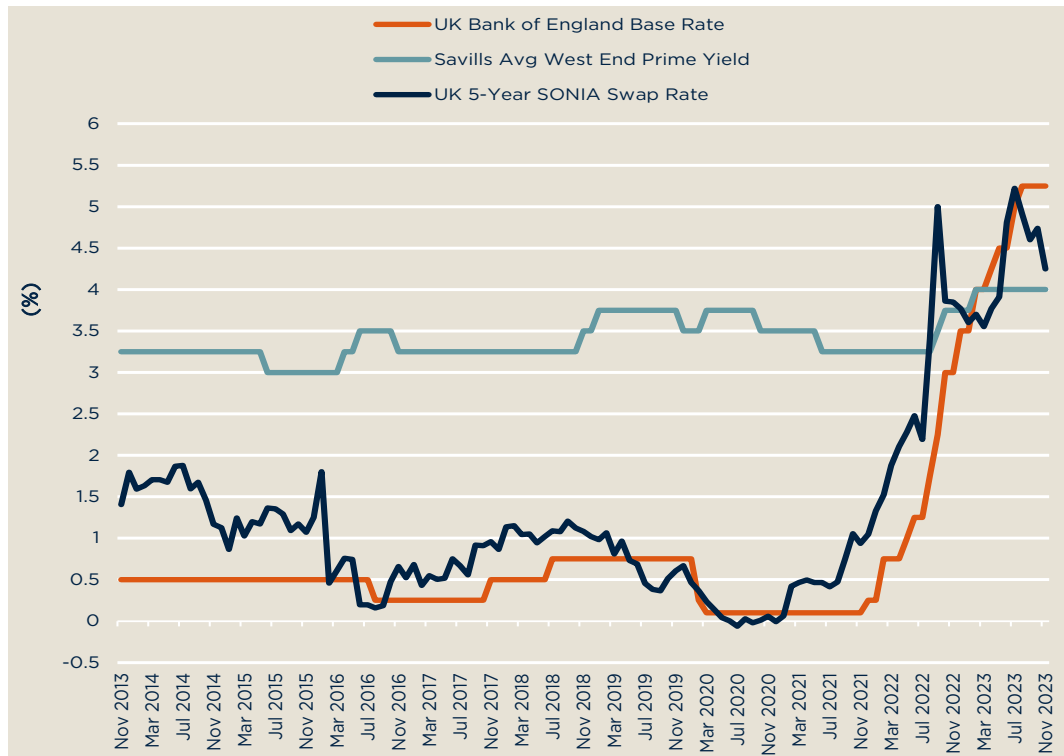


**4.0%**

Prime West End yield remains at 4.0%

## West End Yield & Finance Rates Graph

Graph 3



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