

West End Investment Watch



Market activity builds as summer period concludes

Savills recorded eight transactions in August, totalling £517m, a sharp increase from July's subdued £175m. Cumulative investment volumes now stand at £3.26bn across 56 deals, down 11% on the 10-year average but up 16% on the five-year average.

The most notable transaction in August was Landsec's sale of Queen Anne's Mansions, SW1, to the Arora Group for £245m, reflecting £692 per sq ft. This represented the largest transaction in Q2 and Q3. The property on Petty France is let to the Ministry of Justice until 2028, producing £15m per annum of net rental income. An additional agreement relating to capital expenditure generates £17m per annum and expires in December 2026. The building has been acquired with the expectation of securing planning for hotel use.

Other notable transactions included Ares's acquisition of 101 New Cavendish Street, W1, from Welput for £90.7m, reflecting 7.13% and £898 per sq ft. The freehold building comprises 101,008 sq ft of multi-let office and retail, with residential flats on upper floors held on long leaseholds. The property has a WAULT of three years and generates a rental income of £6.6m per annum, reflecting £70.03 per sq ft on the offices. This marks Ares's fifth acquisition in the past 12 months. They have also been active bidding on several other processes, positioning them at the forefront of buyers for core-plus capital.

French SCPI, Iroko Zen, acquired 1 Lyric Square, W6, from Schroders for £57.06m, reflecting 8.77% and £552 per sq ft, marking their largest acquisition in London to date. The asset was comprehensively refurbished in 2018, providing 103,374 sq ft of office accommodation, single let to The Office Group Properties t/a Fora at a total rent of £5.3m per annum (£51.72 per sq ft), with a WAULT of 14 years unexpired. The purchase

price represents a 40% discount from the guide price of £95.4m (5.25%, £923 per sq ft) when the property was first marketed in September 2022.

These three transactions highlight the stark contrast in pricing between non-core/physically challenged assets with big risk of capex bills; compared with best-in-class product. This latter category has dominated demand, albeit as prices have become more realistic there has been growing interest in higher yielding opportunities.

We expect to see investment volumes steadily improve to year end. We are tracking over £1.9bn of transactions under offer (£700m of which went under offer during August, including 3 properties over £100m). The largest is believed to be Kennedy Wilson's leasehold interest in 111 Buckingham Palace Road, SW1, which went under offer to KF IM (guide price £210m, 7.00%, £965 per sq ft). The property has a WAULT of approximately 6 years, producing a topped-up rent of around £15m per annum. More than 50% is let to the Telegraph and Epic Games.

Savills is tracking £2.9bn of 'available' sales across 79 assets. As is typical of August, when many vendors avoid marketing, only two new properties were launched. Horseferry House and Brunel Building, both owned by Derwent London added more than £400m to availability. We are tracking several sales that are scheduled to commence marketing in the Autumn, with vendors looking to capitalise on improving demand and the prospect of cuts to the Bank of England base rate.

Savills' prime yield remains at 3.75%, while the five-year SONIA swap rate stands at 3.75%.



Investment volumes up 16% on the five-year average



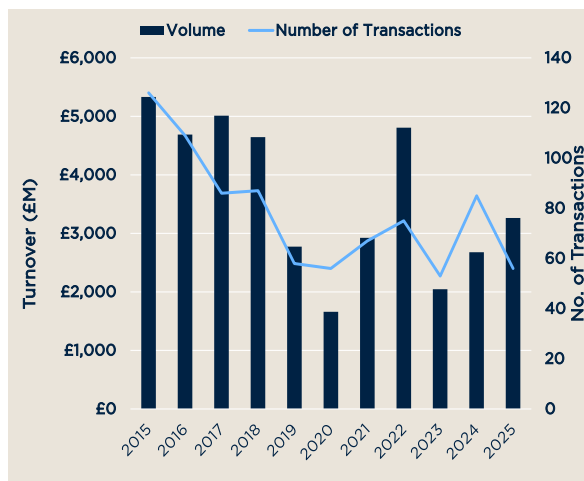
Approximately £1.9bn of transactions are under offer



August recorded the largest transaction in Q2 and Q3

Graph 1

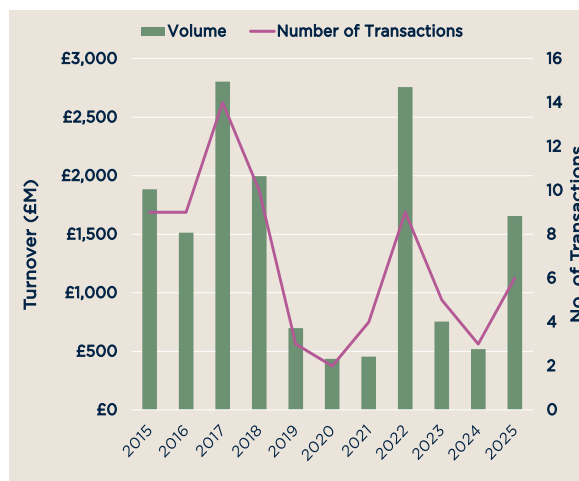
Cumulative Annual Turnover (YTD 2015-2025)



Source: Savills

Graph 2

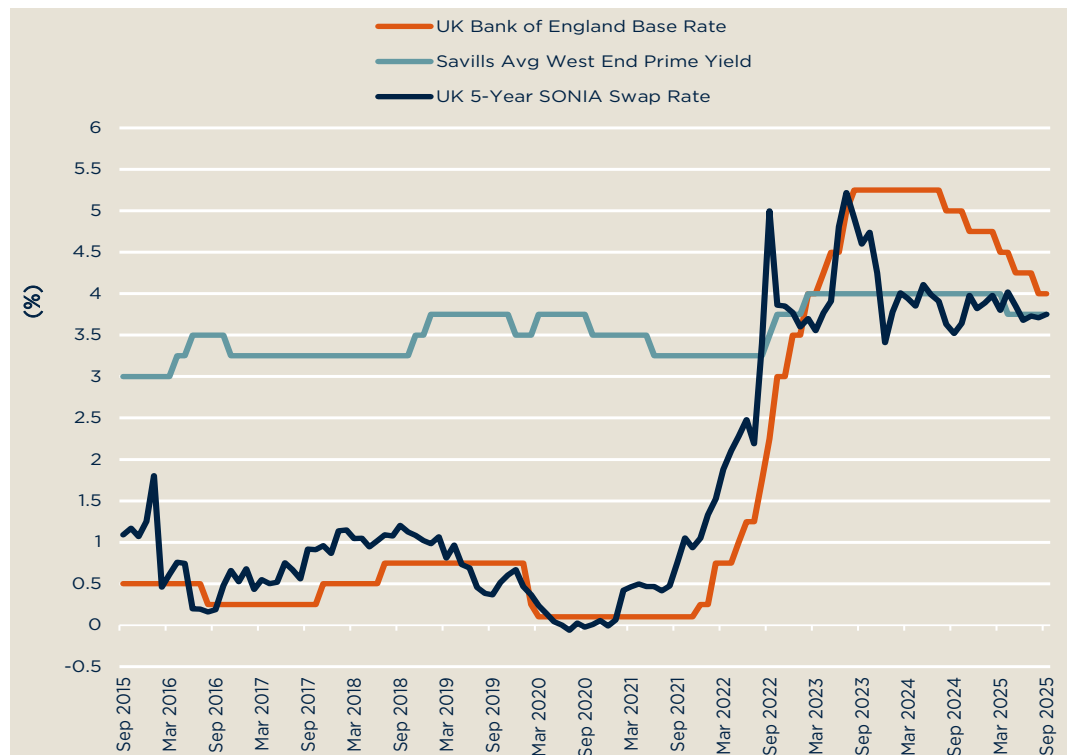
£100M+ Transactions (YTD 2015-2025)



Ares makes 5th acquisition in 12 months

Graph 3

West End Yield & Finance Rates



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