

West End Investment Watch



Cumulative volume surpasses £1bn with activity dominated by smaller lot sizes

Investment activity at the end of Q1 totalled £1.04bn, reflecting a 24% increase on the same period last year albeit a 16% decrease on the 5-year average and a 44% discount to the 10-year average. The number of deals (28) is marginally ahead of the 5-year average, however the average deal size of £37m sits 22% below the long term trend. This is reflective of the challenging liquidity of larger assets through this repricing phase.

70% of year-to-date volume (totalling £718m across 14 transactions) took place in March, showing a notable uptick in activity over the course of the quarter, albeit three of the largest transactions (21-25 Bedford Street, WC2, 55 St James's Street, SW1 & Charlotte 'Lifestyle Collection', W1) were originally agreed in 2023, highlighting a 'stickiness' to deals.

In a continuation of the recent trend, domestic investors were the most active vendors in Q1 (81% of volume). Institutional investors (including abrdn, Lothbury and Columbia Threadneedle) continued their status as net sellers and were responsible for 11 transactions. UK investors were the dominant buyer group (11 deals) followed by European buyers (8 deals).

In the largest transaction of the quarter, undertaken by a domestic buyer and seller, British Land disposed of a 50% virtual freehold stake in 1 Triton Square, NW1 to Royal London (£192.5m & £1,052 psf). The 366,000 sq ft office building, which was previously let to Meta, was acquired with full vacant possession. The joint venture proposes to refurbish and convert the property to a best-in-class science and innovation building.

Despite subdued investment levels, the West End's enduring appeal was evidenced as it welcomed several first time buyers, including a private Greek investor (The Colonnades, W2) and GG Capital (9 Upper Grosvenor Street, W1).

Savills is tracking £813.3m of assets under offer across 24 deals, of which only one is above £100m. 130-134 New Bond Street, W1 is owned by a joint venture between Oxford Properties and Richemont. The building comprises 27,600 sq ft and is fully let to retailers including Breitling and Church's, whilst the upper floors comprise multi-let offices. The deal agreed in March is understood to be at a price of £230m, 3.50% & £8,316 psf; if successful, the transaction would further reinforce the unwavering demand for Bond Street retail. Last year it saw the most transactions for any street in the West End (7), testament to its robust occupational dynamic. By volume, 40% of all deals under offer were agreed last year and a quarter were previously under offer to a different party.

Q1 saw the marketing of thirty assets, with an average lot size of £28m (£45m in Q1 2023). The aggregate price of available stock amounts to £2.87bn, of which 70% was originally marketed in 2023, and 52% was marketed at least 6 months ago. We continue to witness a paucity of new stock and alongside this less distress than expected. Many lenders continue to adopt a 'wait and see' approach, and given the high proportion of equity within the West End, investors have been less subject to the increase in financing costs.

We expect the 'flight to quality' to remain a key theme amongst investors, with demand to remain the most robust for high quality, ESG-enabled assets in excellent locations, with strong rental growth projections.

Savills prime yield stands at 4.0%; the Bank of England base rate remains at 5.25% and the SONIA five-year swap rate is 3.85%.

70%

of YTD volume took place in March



UK investors were involved in 21 transactions in Q1 (75%)

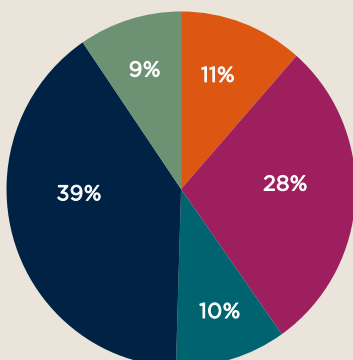


40% of volume under offer was agreed last year

Purchaser Nationalities by Volume (Q1)

Graph 1

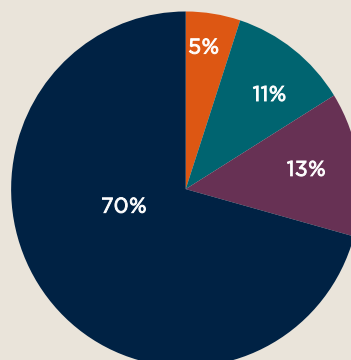
Asia Euro North Am UK Middle East



Available Stock by Marketing Date

Graph 2

Mar Feb Jan Pre 2024

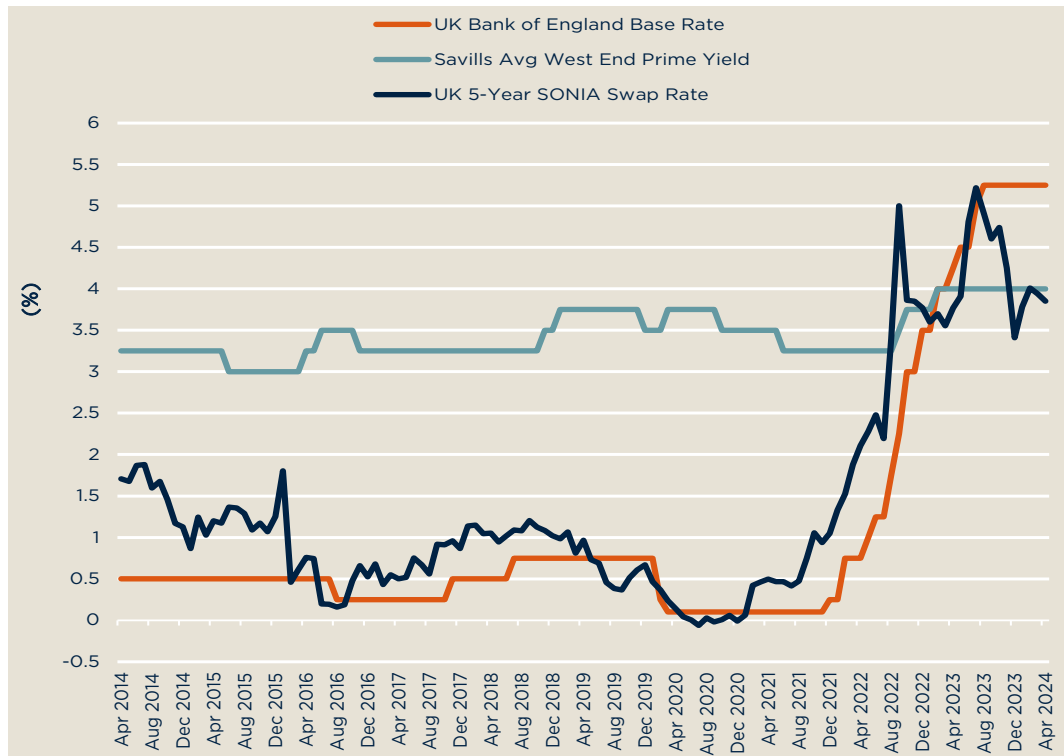


£28m

Average lot size marketed in Q1, across thirty assets

West End Yield & Finance Rates Graph

Graph 3



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