

West End Investment Watch



Robust pricing endures for best-in-class assets

We recorded 8 deals in July totalling £309m, bringing cumulative annual volumes to £2.33bn across 74 transactions. This reflects a 28% uptick on the equivalent period last year and a 31% decline on the 10-year average. Three deals above £50m traded in July, from the core, core plus and opportunistic categories, illustrating investor confidence across the risk spectrum. Notably, we witnessed a prime Mayfair office transaction that will act as a strong pricing benchmark as we enter September; a typically active month in terms of newly marketed assets.

Aerium disposed of its part-freehold (and part-virtual freehold) interest in 24 Savile Row, W1 to Euro Real Estate (£90m / 4.08% / £3,024 psf). The EPC 'A' corner building completed in 2015 to comprise c.30,000 sq ft of multi-let offices and gallery accommodation, generating a passing rent reflecting £126 psf and a WAULT of 5.1 years to expiries and 2.5 years to breaks. The transaction marks the buyer's fifth Central London acquisition and demonstrates the enduring demand for Mayfair assets with strong fundamentals, especially those that present clear business plans to capture strong rental growth, which is most acute for prime assets with exceptional ESG credentials.

Savills advised MARK on the freehold disposal of The William, Queensway, W2; a 140,000 sq ft consented mixed use development, for £50m / £357 psf (on proposed area), reflecting a 25% premium to the quoting price. The scheme will comprise a highly sustainable residential and office development arranged across two buildings. US-based private equity investors continued their spree as JP Morgan acquired Lai Wing-To's freehold interest in 291 Oxford Street & 2 Harewood Place, W1 (£69.7m / 5.89% / £2,664 psf). The property comprises retail let to McDonald's and EE and the upper offices, which are in need of refurbishment, are partially let off a passing rent of £68 psf.

Analysis of deals under offer portrays a resurgence of investor appetite for assets of scale, which has translated into competitive bids processes and strong price levels agreed. Times Place, 45 Pall Mall, SW1 received multiple formal proposals and is under offer close to the quoting price (Q. £135m / 4.35% / £2,261 psf). 14 St George Street is under offer at a level understood to be £133m / 3.85% / £2,565 psf. Both buildings are situated in the prestigious submarkets of St James's and Mayfair respectively and present clear short-term active asset management opportunities to drive rental performance. Despite the ongoing geopolitical headwinds, we are observing a growing number of investors with intent to deploy, which will no doubt grow further in light of the recent base rate cut.

Synonymous with the typical summer lull, 8 assets with a combined quoting price of only £94m were marketed in July, bringing total availability to £2.29bn across 81 assets. Half of these buildings were originally marketed in 2023 or earlier, and only 15% of stock represents deals with quoting prices above £50m. Larger scale opportunities remain relatively scarce albeit ongoing evidence and improving sentiment could provoke disposals of more large lot sizes as we progress towards Q4. Domestic vendors are responsible for over half of available assets, totalling some £1.2 bn, which is split broadly evenly between institutions, prop cos and private investors.

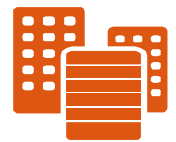
Savills prime yield stands at 4.0%, the Bank of England base rate has reduced by 25 bps to 5.0% and the SONIA five-year swap rate has reduced by 20 bps in the month to 3.63%.



Deal volumes are 8% ahead of the same period in 2023



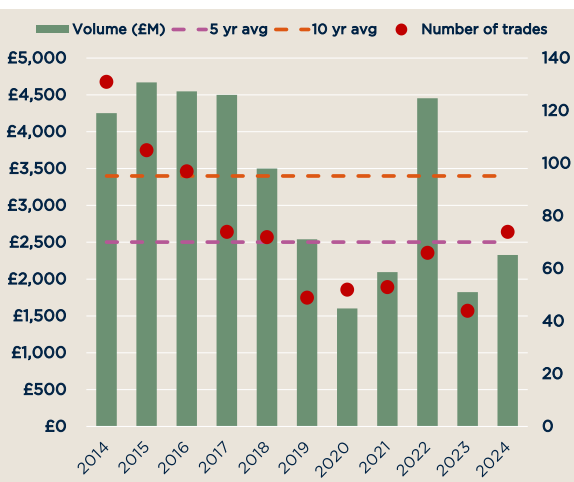
24 Savile Row marks the 6th transaction above £50m in 2024 by a European buyer



£852m under offer (23 assets)

Graph 1

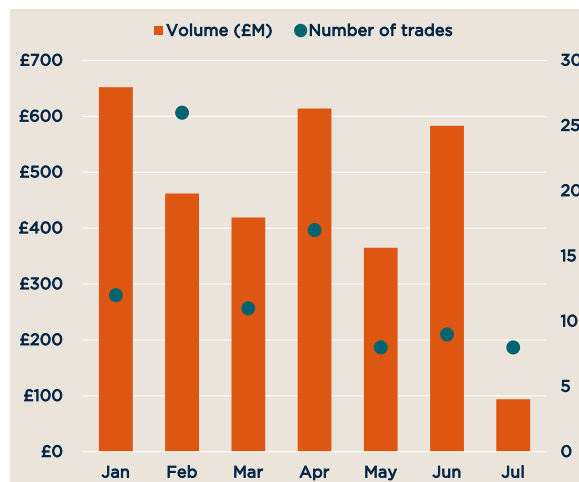
Year-to-date Transactions



Source: Savills

Graph 2

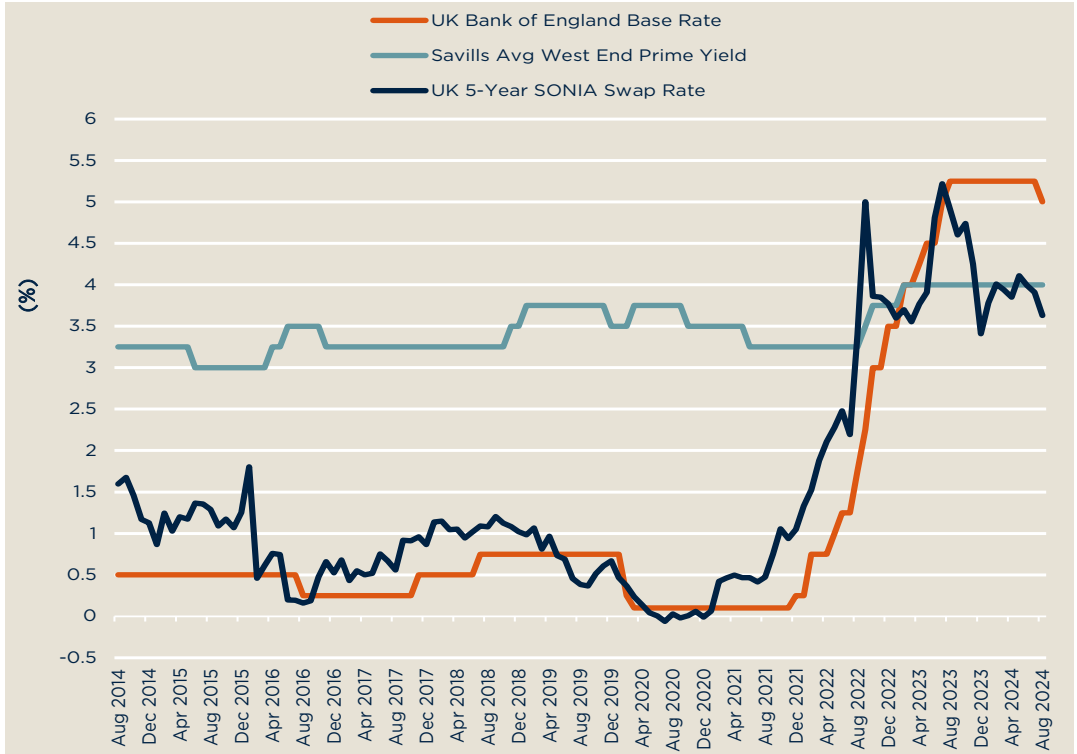
Newly Marketed Assets by Month (2024)



Resurgence in confidence as BoE cuts base rate for first time in over 4 years

Graph 3

West End Yield & Finance Rates



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