

West End Investment Watch



Market awaits a £100m+ office income trade

We observed twelve transactions in June totalling only £129m, bringing Q2 turnover to £892m (thirty one deals) and H1 turnover to £1.96bn (sixty three deals). The cumulative annual volume reflects a 15% uptick on the same period last year, however it sits 10% and 40% below the 5-year and 10-year averages, respectively. Notably, due to the scarcity of large scale trades, the average lot size this year-to-date stands at £31m – one-third below the H1 average (over the last decade). However in a clear illustration of enduring investor demand for West End assets, the number of YTD deals is 30% greater than the 5-year average.

Each transaction in June reflected a price of £20m or below and all vendors were either domestic or US based. Noteworthy trades include DTZIM's sale of 22 Soho Square, W1 to Momeni (£16m / 4.78% / £1,236 psf) having been under offer for 18 months and Round World Group's sale of 94-96 Wigmore Street, W1 to a Private Thai investor (£18m / £1,586 psf). Oval & Elliott exchanged on their sixth sale out of the Lotus Portfolio (following their acquisition of the 27-part portfolio in January); Bentinck House, 3-8 Bolsover Street, W1, a 19,000 sq ft office with short term income, was acquired for approximately £17.1m / £900 psf.

Analysis of purchaser nationalities in H1 displays a dominance of domestic buyers, accounting for just over half of deals done and 44% of volume. European investors were relatively active with 15 acquisitions totalling £502m, however the most notable observation is the ongoing theme of North American investors with appetite for assets of scale. They acquired six buildings in H1 at an average deal size of £68m (over double the average lot size witnessed so far this year), albeit this is skewed by Blackstone's acquisition of 130-134 New Bond Street, W1 in April.

The quantum of volume under offer remains relatively low at £668m across twenty two assets, compared to £995m (twenty five assets) at the same point in time last year and £1.65bn (thirty two assets) the year before. Half of the deals

currently under offer were originally marketed pre-2024 and, on average, the deal price reflects a 20% discount to the original guide price, highlighting the prolonged marketing process in the case of sales where the vendors' original price aspirations were perceived to be too high. In Q1 of this year, £1.53bn of stock was marketed and only 52% has traded (£801m), and so far this year the market is yet to witness £100m+ income producing office trade. Derwent London recently withdrew 90 Whitfield Street, W1 (which had a quoting price of £128m / 5.5% / £1,192 psf) after bids failed to reach price expectations.

Joint Treasure re-marketed their freehold interest in 3 St James's Square, SW1 at a quoting price of £135m / 3.78% / £2,649 psf. The 51,000 sq ft office-led building was refurbished in 2016 and is multi-let to sixteen tenants. The asset generates a topped up passing rent reflecting £102 psf overall and a WAULT of 4.2 years to expiries and 1.8 years to breaks, providing opportunities to reposition and create end of trip facilities thereafter.

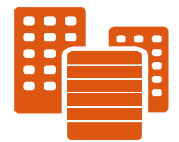
Savills marketed two buildings in June. We are advising Aviva & PSP on their freehold interest in 30 Golden Square, W1, a newly refurbished, best-in-class, EPC A office building multi-let off a reversionary £103 psf, benefitting from a WAULT of 9.5 years to expiries and 7.5 years to breaks. Elsewhere, in a scarce repositioning opportunity of scale, Savills is advising on the leasehold sale of Whittington House, 19-30 Alfred Place, WC1. The 75,000 sq ft office will be provided with vacant possession upon completion, offering a blank canvas opportunity for an investor to undertake a refurbishment and capture the exceptional rental tone in the vicinity, or consider repositioning via an extension or infilling.

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 3.91%.

20%
of YTD trades
happened in June



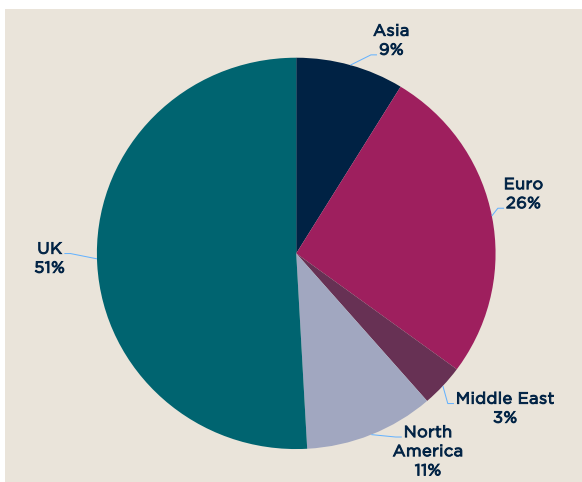
European buyers
responsible for a quarter
of H1 trades



Half of the stock
marketed in Q1 has traded
(by volume)

Graph 1

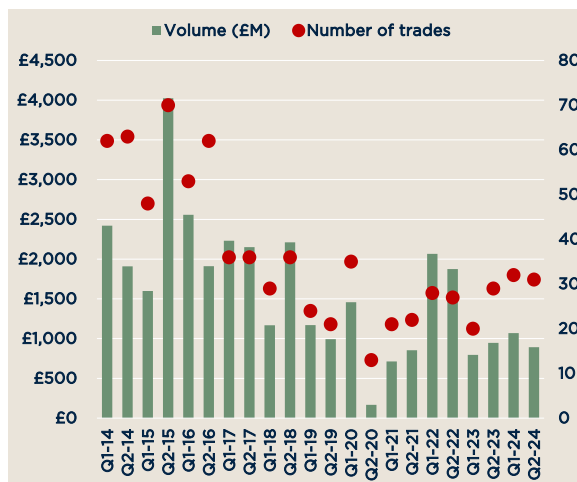
H1 Purchaser Nationality by No. of Deals



Source: Savills

Graph 2

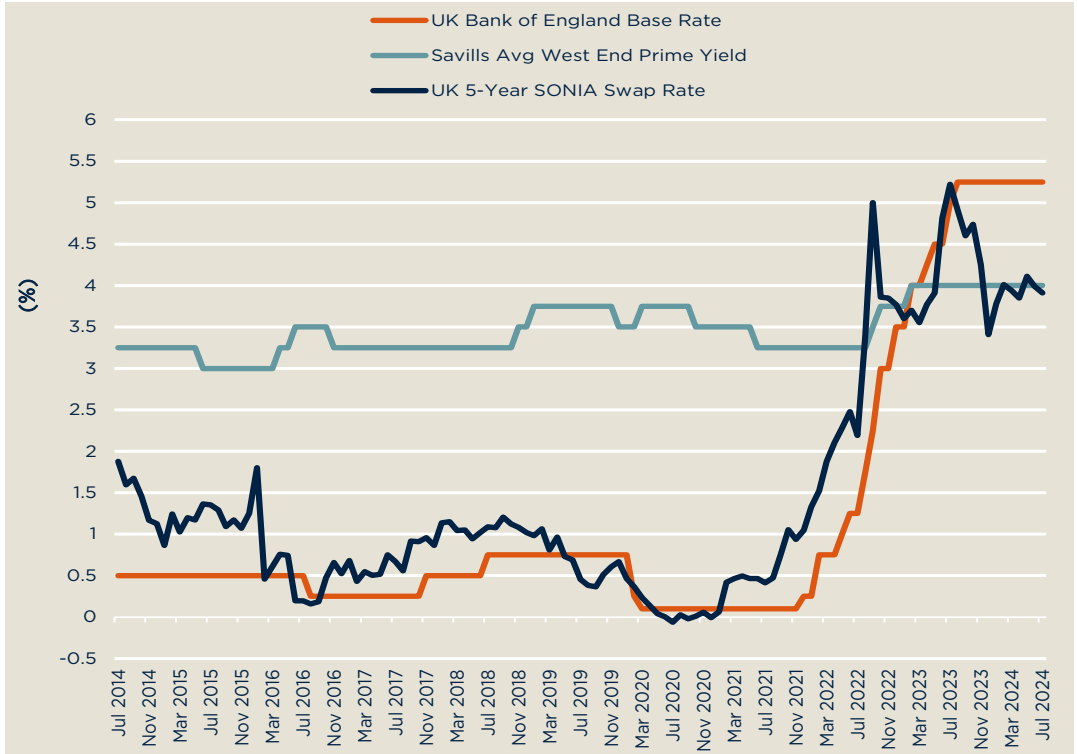
Q1 & Q2 Deal Analysis (Last 10 Years)



2 new sales in Soho and
NOX East

Graph 3

West End Yield & Finance Rates



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