

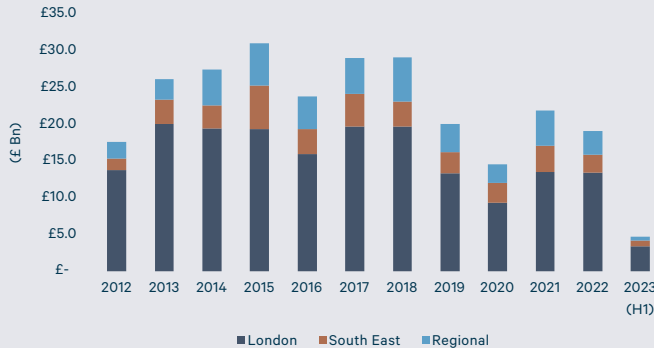
OFFICE EDITION

The Kimmridgean



Q2 2023

Deals volume 2012-23, London/South East/Regional

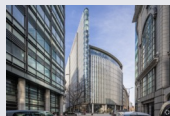


Investment Activity

- Central London office investment has been subdued since the mini-budget with much of the c.£3.36bn traded in the year to date being stock which was launched in 2022.
- The total volume transacted (£2.14bn in the City and £1.22bn in the West End) in the first half of 2023 is less than half of the £8.0bn traded in the same period in 2022; this is around 54% of the 10-year average.
- Regional office investment volumes are 60% below the 10-year average, although demand for prime assets with strong ESG credentials have proven more resilient.
- The South-East experienced £252m of investment volumes in Q2 2023, a 35% decrease on Q1 2023 and a 65% decrease on the five-year average. Sub-£10m lot sizes remain the most liquid market with Privates and UK PropCos the most active purchasers.

KEY DEALS

Central London



1&2 New Street, EC4
Jan-23 - £349.5m - 4.71%



19-22 Rathbone Place, W1
Jun-23 - £61.5m - 4.68%

South-East



Florence Building, Basingstoke
May-23 - £22.0m - 6.35%

Regional



Dalton Place, Manchester
May-23 - £28.0m - 9.10%



Halo, Bristol
May-23 - £72.3m - 5.60%

OPPORTUNITIES

Central London

Mispriced core plus assets in the City of London

- E.G. Lion Plaza, Old Broad Street
- Sold in Jul-23 at a c.24% discount to launch price
- Offers secure mid-term income with value-add upside

South-East

Short income assets with alternative use angles

- E.G. Lansdowne Building, Croydon
- Sold in Jul-23 at a c.27% discount to launch price
- Provides the opportunity to redevelop to alternative uses such as BTR or student

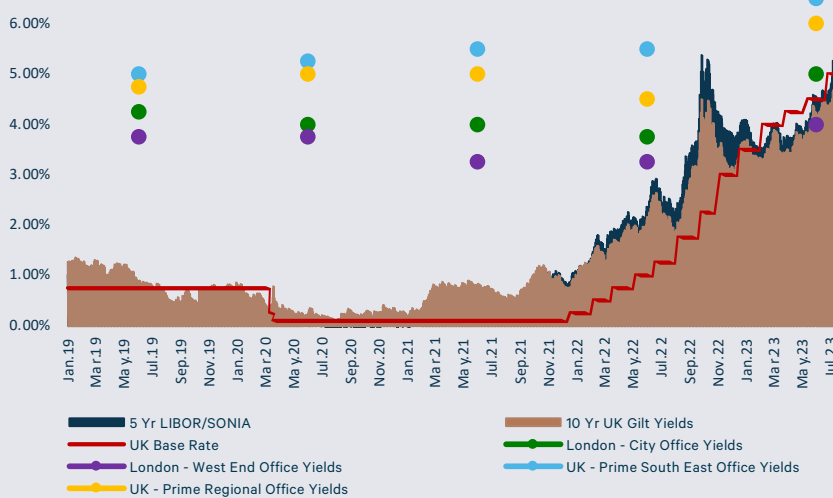
Regional

Mispriced core assets & Brown to Green (BtG)

- E.G. One Angel Square, Manchester
- Relunched to market at £165m / 7.00% (c.21% discount to launch price)
- E.G. 1 Hardman Boulevard, Manchester (BtG)
- Opportunity to create a best-in-class office (BtG)

HISTORIC TREND & CURRENT MARKET SENTIMENT

UK Yield / Rate Trend



Prime Yields

	Q2-2022	Q1-2023	Q2-2023	Yield Trend
City of London	3.75%	4.75%	5.00%	↑
West End	3.25%	3.75%	4.00%	→
Regional	4.50%	5.75%	6.00%	↑
South-East	5.00%	6.25%	6.50%	↑

- Prior to the mini-budget, prime yields were at all-time lows, driven mainly by investor appetite for well let, core income investments with opportunity to drive rental and capital growth.
- Prime yields have since softened due to the rising cost of debt and the subsequent Bank of England base rate rises.
- A key theme to emerge is that property valuations, offer and bid prices are out of sync, and investments which have traded are, for the best part, doing so below the valuations and quote prices.
- There is a hesitancy from owners to openly market assets as we continue to navigate through a period of pricing correction due to rising interest rates and cost inflation headwinds.

OUTLOOK - H2 2023

Deal Volumes
Expected to increase towards the end of 2023

Pricing Correction
Certain assets will continue to transact at a discount

Prime Yields
Upward pressure in the short/medium-term

Market Sentiment
Will improve as inflation and BoE rates soften in the medium-term

ESG
Continued investment drive towards most efficient buildings

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