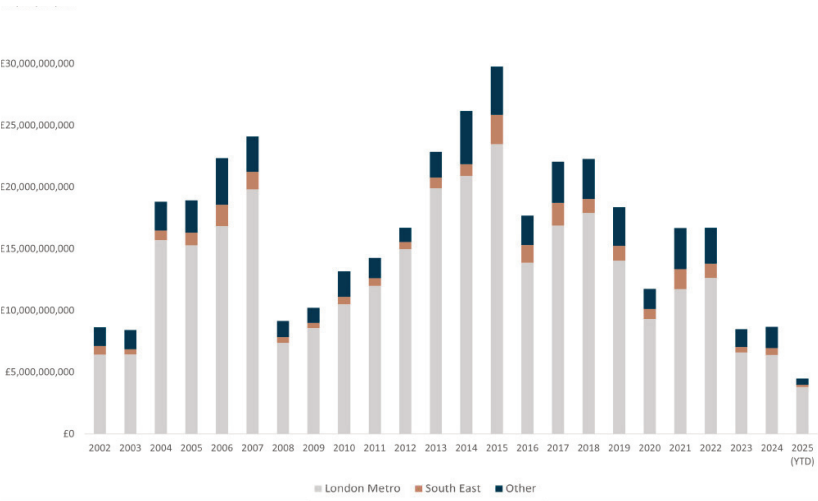


The
Kimmeridgean

UK Office Investment Activity

Deals Volume 2002-24, London/South East/Regional



Investment Activity

- Despite improving sentiment against the backdrop of base rate cuts and stabilising swap rates, investment volumes for Central London reached £6.4bn in 2024, slightly below the £6.5bn traded in 2023. VS Mispriced / West End 2023 £3.53bn / City 2023 £3.56bn
- Liquidity for sales above £100m is beginning to increase, however the high cost of finance has continued to impact core markets. Confidence is being drawn from strong occupational markets, which continue to see significant Prime rental growth.
- The UK's core regional cities are slowly seeing improved sentiment, although there remains some nervousness. This investor interest has been driven by strong rental growth and the relative appeal of yields compared to other UK commercial real estate sectors and alternative asset classes.
- Smaller lot-sized transactions remain the dominant trend in the South East office market, with investors increasingly focused on opportunities with potential for alternative uses to residential, PBSA or industrial. Pricing has softened considerably allowing opportune value add buyers to re-enter the market.

Key Deals

Central London

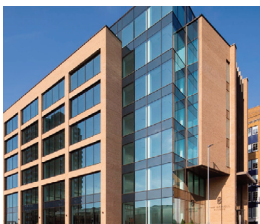


45 Pall Mall, SW1
Nov-24 - £135.5m - 4.34%



Atlantic House, EC1
Sep-24 - £179.0m - 7.71%

South East



Brinell, Brighton
Mar-25 - £27.0m / 7.50% NIY / £421psf

Regional



Capital Square, Edinburgh
Under Offer / £75.0m / 5.75% NIY / £610psf



Baskerville House, Birmingham
Under Offer / c£40.0m / 9.40% NIY / £198psf

Opportunities

Central London

Mispriced core plus assets in the City of London

- CityPoint, Ropemaker, EC1
- Marketed Oct-24 at a c.24% discount to the previous year's book valuation of £681m.
- Bids came in below debt level.
- Brookfield now seeking to restructure the loan against the building, and may look to remarket once sentiment improves.

South East

Short income assets with alternative use angles

- Secondary office values have fallen significantly prompting viability for redevelopment to other uses.
- This has been intensified by the changes to Permitted Development rights which have opened up opportunities for office to residential conversions.

Regional

Mispriced core plus assets in the core regions

- The softening of pricing for core plus assets has moved to a level that can justify the cost of upgrading to a modern specification without the need to get vacant possession.

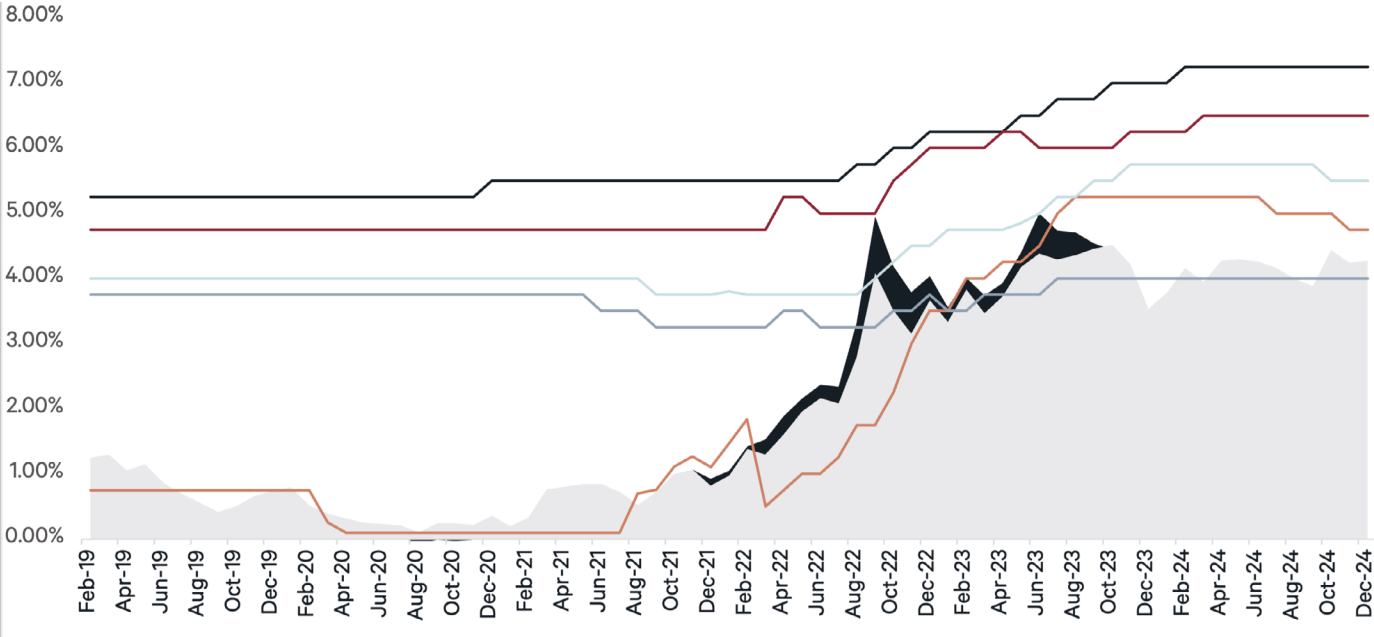
UK Office Historic Trend & Current Market Sentiment

Prime Yields

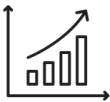
- Prime yields have reduced across core markets over the last 24 months, albeit due to low transaction volumes for best-in-class buildings there are minimal datapoints to suggest any further decline in prime pricing.
- Investor sentiment has improved, buoyed by fuller offices (employees returning to work) and significant rental growth throughout 2024.

Offices (NIY)			
	Jan 24	Jan 25	Trend
Regional - Prime	6.50%	6.50%	➡
South East - Prime	7.25%	7.25%	➡
City - Prime	5.25%	5.25%	➡
West End - Prime	4.50%	4.50%	➡
Life Sciences	4.75%	4.75%	➡

UK Yield / Rate Trend



Outlook - H1 2025



Deal Volumes

Expected to stay muted in H1 2025



Pricing Correction

Certain assets will continue to transact at a discount



Prime Yields

Steady 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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