

Date: 3 July 2024

Item: Places for London End of Year Valuation Results

This paper will be considered in public

1 Summary

- 1.1 This paper provides an overview of the end of year valuation for Places for London's investment assets and joint ventures.
- 1.2 A paper is included on the Part 2 agenda which contains exempt supplementary information. This information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial and business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

- 2.1 **The Committee is asked to note the paper and the exempt supplementary information on Part 2 of the agenda.**

3 Investment Portfolio

- 3.1 Since 2019, Places for London has commissioned an annual independent valuation of its investment portfolio. The valuation is carried out by leading global commercial real estate service company, CBRE. This update is for the end of year valuation with a date of 31 March 2024.
- 3.2 The valuation process focuses on assets held by Places for London for commercial investment purposes, represented by seven core sectors: Retail, Office, Arches, Residential, Car Parks, Industrial and Infrastructure.
- 3.3 The valuation is produced using asset-specific data and market information. This includes recent market transactions, occupational information, lease details and asset plans. Dependant on the asset class and use, an appropriate valuation methodology is applied in line with the prevailing market practice.
- 3.4 The total value of Places for London's investment portfolio as at 31 March 2024 is £1.453bn, a decrease of £52m (3.4 per cent) since the valuation on 31 March 2023. Adjusting for the new assets and disposals, the like-for-like value reduced by £48m (3.4 per cent). See Table 1 below.

Table 1

	Market Value 31 March 2024 £m	Market Value 31 March 2023 £m	Valuation Change £m	Valuation Change %
Valuation	1,453	1,505	(52)	(3.4)
Like-for-Like	1,347	1,395	(48)	(3.4)
Passing Rent	62.6	61.9	0.7	1.1
Rental Value	89.7	92.5	(2.8)	(3.0)

- 3.5 The reduction in value on a like-for-like basis is in line with comparable indexes and market peers.
- 3.6 Although interest rates have stabilised and may start to reduce during the latter part of 2024, the increase has resulted in a reduction in capital values across all sectors of the commercial real estate market and low transaction volumes relative to historic figures.
- 3.7 Higher mortgage rates are still impacting the residential market, with a reduction in values at the upper end of the London market.
- 3.8 The office sector remains under pressure, especially the secondary market, with a decrease in investment volumes and capital values.
- 3.9 Over the last 12 months, there has been some outward yield movement in the industrial, retail and long-term income sectors leading to reductions in value. This has broadly stabilised in the first quarter of 2024.

List of appendices to this report:

Exempt supplementary information is included in the paper on Part 2 of the agenda.

List of Background Papers:

None

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