

**Date: 10 December 2024**

**Item: Mid-Year Valuation Results**

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**This paper will be considered in public**

**1 Summary**

- 1.1 This paper provides an overview of the mid-year valuation for Places for London's investment assets and joint ventures as at 30 September 2024.
- 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 independent valuation of its investment portfolio, conducted annually until 2023 and on a bi-annual basis thereafter. The valuation is carried out by a leading global commercial real estate service company CBRE. This update is for the mid-year valuation with a date of 30 September 2024.
- 3.2 The valuation process focuses on assets held by Places for London for commercial investment purposes, across six sectors: retail, office, arches, residential, car parks, and 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 30 September 2024 is £1.467bn, an increase of £14.4m (0.9 per cent) since the valuation on 31 March 2024. Adjusting for disposed assets, the like-for-like value increased by £16.8m (1.2 per cent).
- 3.5 Table 1 below sets out the investment portfolio valuation summary as at 30 September 2024.

**Table 1: Investment Portfolio Valuation Summary 30 September 2024**

	<b>Market Value 30 September 2024 (£m)</b>	<b>Market Value 31 March 2024 (£m)</b>	<b>Valuation Change (£m)</b>	<b>Valuation Change (%)</b>
Valuation	1,467	1,453	14.4	0.9
Like-for-Like	1,467	1,450	16.8	1.2
Passing Rent	60.7	61.0	(0.3)	(0.5)
Rental Value	89.3	89.6	(0.3)	(0.3)

- 3.6 The value growth is in part a result of the uplift in the valuation of 'car parks', due to the recently implemented tariff increase.
- 3.7 The increase in value on a like-for-like basis is similar or better than our leading commercial market peers and key market indexes.
- 3.8 Although interest rates have stabilised and begun to decline over the past six months, the market is still recovering with slowed capital growth and reduced investment volumes across all sectors of the commercial real estate market.
- 3.9 Table 2 below sets out Places for London's investment portfolio value by sector.

**Table 2: Investment Portfolio Value by Sector**

<b>Sector</b>	<b>Market Value September 2024 (£m)</b>	<b>Valuation Change to September 2024 (£m)</b>	<b>Valuation Change to September 2024 (%)</b>	<b>Like-for-Like Valuation Change to September 2024 (%)</b>	<b>Portfolio by Value (%)</b>
Retail	613.3	4.3	0.7	0.9	42
Office	199.6	(2.7)	(1.3)	(1.3)	13
Arches	142.1	(0.1)	(0.1)	(0.1)	10
Residential	68.5	0.5	0.7	0.7	5
Car Parks	166.1	8.2	4.9	5.6	11
Industrial and Infrastructure	278.1	4.2	1.5	1.5	19
<b>Total</b>	<b>1,467</b>	<b>14.4</b>	<b>0.9</b>	<b>1.2</b>	<b>100</b>

\*Change figures provided for March 2024 to September 2024

- 3.10 The market has exhibited a preference for prime assets, leading to stable or slightly improved returns. While secondary assets experienced less favourable yield performance, reflecting investor caution towards assets with perceived higher risk.
- 3.11 In the retail and industrial sectors, this divergence has led to a shift towards well-located assets providing essential goods and services, and industrial properties with high demand such as logistics warehouses.
- 3.12 Similarly, yields for prime office spaces in central London have begun to stabilise, as demand shifts towards sustainable and high-quality spaces. Secondary offices face greater challenges in value with upward trending yields, reflecting investor caution. This is reflected in Places for London's commercial office valuations.
- 3.13 A recent reduction in mortgage rates stimulated buyer activity in the residential sector, reflected in a slight decrease in yields and a minor increase in values.
- 3.14 Car parks have experienced the most significant increase in value due to the recently implemented tariff increase across the sector.

**List of appendices to this report:**

A paper containing exempt supplementary information is included on Part 2 of the agenda.

**List of Background Papers:**

None

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