

West End Investment Watch

Small lot sizes continue to whet the appetite of private investors

March 2015

Market comment and notable deals

■ February experienced volumes of £168m over 7 transactions, with an average lot size of £24m. This represents the lowest monthly take up since March 2013.

■ On behalf of a private Middle Eastern investor, Savills acquired 1 Mabledon Place, a long leasehold office investment for £72.55m, reflecting a net initial yield of 4.47% and a capital value of £887 per sq ft. The property was newly developed by Stanhope and is single let to The Doctors Laboratory until November 2029 at a gross rent of £3.7m per annum reflecting £40.84 per sq ft overall.

■ Grosvenor Fund Management has purchased Old Court House, 42-60 Kensington High Street, for £50m reflecting a 3.6% net initial yield and a capital value of £984 per sq ft. The property comprises a retail parade of four units totalling 50,817 sq ft with the upper floors sold off on long leases. This follows an uptrend of transaction volumes on Kensington High Street with sales from January 2013 to date totalling £560m, compared to only £400m of transactions between 2007 and 2012.

■ A private Saudi investor has purchased 100 Knightsbridge for £22.25m reflecting a 1.7% net initial yield and a capital value of £8,001 per sq ft. The property is let to DM London Ltd (t/a Rolex) until 2026 at a rent of £400,000 per annum subject to review in 2016. The vendor had acquired the property off the same rent in August 2011 for a price of £13m which at the time reflected a record low net initial yield of 2.9%. The deal highlights the yield compression we have witnessed

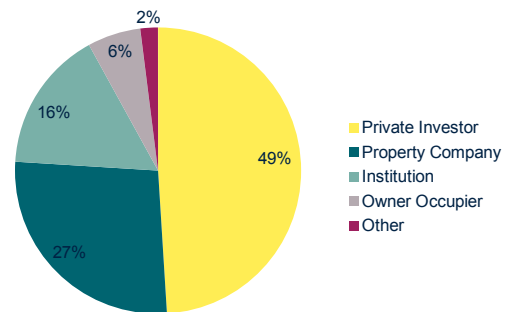
within the Central London retail market in the last three years.

■ Of February's seven transactions, five (65% by volume) were acquired by private investors. Data since January 2014 shows that private investors have made up 49% of deals between £0-£20m as seen in graph 1 and this rises to 58% when analysing sub £10m transactions. Property companies continue to be competitive for assets of this size, especially where it presents a opportunity to extend their historic estate holdings. As expected the institutional market has made up under 10% of deals of this size, and we envisage little change going forward due to the competitive nature of private investors facilitated by their ability to sit on low returning assets for a significant period of time.

■ This month Savills advised on over 50% of investment activity by volume within the West End and a total of 4 transactions.

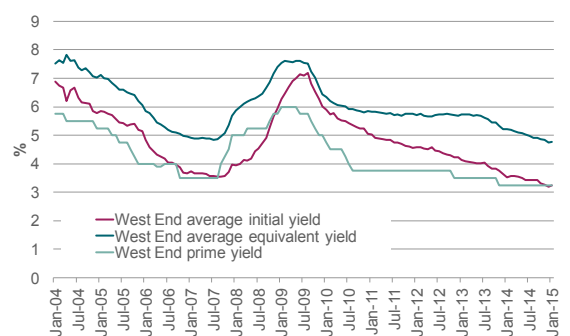
■ Savills prime hypothetical West End yield remains at 3.25% with the IPD average equivalent yields currently standing at 4.77%. Prime retail yields continue to be driven down by competition and now sit at 2-2.5% for prime and 3-3.5% for non-prime.

GRAPH 1 Purchaser profile for transactions <£20m



Source: Savills

GRAPH 2 West End yields



Source: Savills

TABLE 1
Key deals in February 2015

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term	Gearing					
Halo Building	1	Mabledon Place	WC1	Office	81,764	LH	151	10.00%	£72.55 M	4.47%	£887	Stanhope	Private Middle Eastern Investor
Old Court House	42-60	Kensington High Street	W8	Retail (Uppers sold off)	50,817	FH			£50.00 M	3.6%	£984	Private Asian Investor	Grovenor Fund Management
	100	Knightsbridge	SW1	Retail	2,781	vFH			£22.25 M	1.7%	£8,001	Private Russian Investor	Private Saudi Arabian Investor
	19	Marylebone High Street	W1	Retail (Uppers sold off)	2,621	LH	995	£200	£9.51 M	2.93%	£3,627	Associated British Ports	UK Charity
	93	Great Titchfield Street	W1	Office (Planning for Residential)	3,941	FH			£6.35 M	n/a	£1,611	Owner Occupier	Private Asian Investor
	95-99	Charing Cross Road	WC2	Retail (Uppers sold off)	1890	FH/LH			£4.35 M	4.24%	£2,302	Private Asian Investor	Private Indian Investor
	246	Fulham Road	SW10	Retail Residential	2765 (GIA)	FH			£2.60 M	3.98%	£940	Private UK Investor	Private UK Investor

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