

# West End Investment Watch

## Positive sentiment across 2015 reflected in strong Year End

January 2016

### Market comment and notable deals

December saw a total turnover of £1.07bn over 30 transactions, bringing total annual turnover to £8.58bn over 193 transactions. Although this was 2.2% and 4.6% lower than 2013 and 2014 turnover volumes respectively this is still 35% in excess of the 10 year average (see Graph 1).

On behalf of TH Real Estate, Savills acquired 60 Great Portland Street for £102.15m, reflecting a 3.89% net initial yield and a capital value of £1,300 per sq ft. The freehold interest comprises 65,415 sq ft of office space, let to The Engine Group until January 2028, and 14,137 sq ft of adjoining multi-let retail accommodation.

In the largest deal of the month, and the second largest pure office transaction of the year, Grosvenor Fund Management has sold Almack House, its freehold office investment in St James's for £232m, reflecting a 3.49% net initial yield and a capital value of £2,381 per sq ft. The interest was acquired by Ponte Gadea, the investment company of Amancio Ortega, the world's fourth richest individual. This was Ponte Gadea's second known purchase in the West End this year having previously acquired Oriana, a substantial retail holding at the eastern end of Oxford Street for £435m in April. Both transactions accounted for 8% of total West End turnover in 2015.

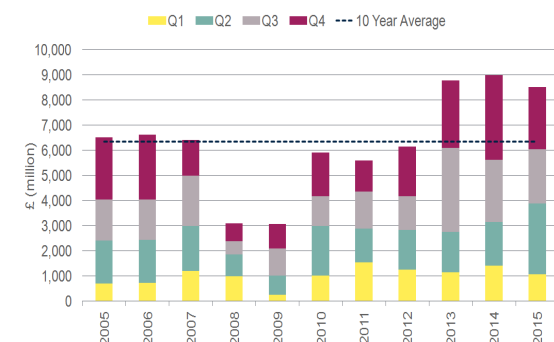
Meridian Properties has sold the freehold interest in 7 Old Park Lane. The property comprises an office building totalling 42,816 sq ft, multi let to 24 tenants with vacant possession obtainable December 2018. The property was marketed with potential for alternative uses and after receiving strong interest was sold to Gruppo Romeo, an Italian based real estate investor for £82.7m, reflecting a 2.16% net initial yield and a capital value of £1,932 per sq ft.

Longer let office investment opportunities were in short supply over 2015 and consequently when marketed invited significant attention. This was demonstrated by the sale of 46 Kensington Court for £22.61m, reflecting a 3.3% net initial yield and a capital value of £1,398 per sq ft to a UK Charity. The property comprises 16,170 sq ft of office space and was sold under the agreement of a new 15 year leaseback to the vendor, Warner Chappell Music, at an annual rent of £790,000 reflecting a rent of £48.86 per sq ft overall. The sale process attracted approximately 10 bids, with the final price almost 30% over the original guide.

UK purchasers remained the largest investor group over 2015, making up almost 36% of total volume. Investment by European buyers saw the largest increase in market share, increasing 17%, whilst investment by US buyers saw the largest decrease, dropping by over 11% on 2014 (see Graph 2).

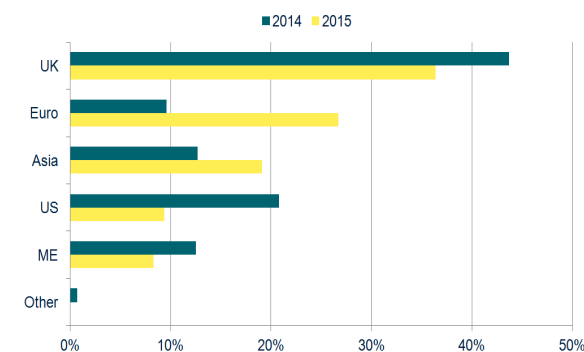
Savills Prime yield remains at 3.00%, with the IPD equivalent yield hardening to 4.65%, down from 4.75% 12 months ago (see Graph 3).

GRAPH 1  
West End Turnover



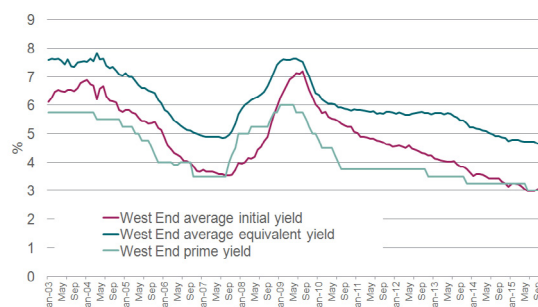
Source: Savills

GRAPH 2  
West End Market Share by Origin



Source: Savills

GRAPH 3  
Yields



Source: Savills, IPD

**TABLE 1**  
**Key deals in December 2015**

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term	Gearing					
Almack House	28	King Street	SW1	Office	99,225	FH			£232.00 M	3.49%	£2,381	Grosvenor Fund Management	Ponte Gadea
	60	Great Portland Street	W1	Office Retail	78,586	FH			£102.15 M	3.89%	£1,300	Great Portland Estates	TH Real Estate
	40	Dover Street	W1	Retail	26,660	FH			£90.00 M	3.05%	£3,376	Arts Club & Authors Club	Private Investor
	7	Old Park Lane	W1	Office	42,816	FH			£82.70 M	2.16%	£1,932	Meridian Properties	Gruppo Romeo
	139	New Bond Street	W1	Retail	10,160	FH			£70.00 M	2.23%	£6,890	S J Phillips Ltd	Trophaeum
Metro Building	1	Butterwick	W6	Office	108,841	FH/LH	82.5	pep	£62.00 M	5.90%	£570	M&G	Rockspring
	105	Piccadilly	W1	Office	34,924	LH	125	5.00%	£50.00 M	3.05%	£1,432	Sir Richard Sutton Estates	Motcomb Estates
	20-24 85-86	Broadwick Street Berwick Street	W1	Office Retail (Residential Consent)	22,249	FH			£33.50 M	n/a	£1,506	Hermes	European Owner Occupier
	81	Piccadilly	W1	Office Retail	16,859	LH	125	5.00%	£23.00 M	3.99%	£1,364	Sir Richard Sutton Estates	Sirosa
	46	Kensington Court	W8	Office	16,170	FH			£22.61 M	3.30%	£1,398	Warner Chappell Music	UK Charity
	168-174	Kensington High Street	W8	Retail	12,985	FH			£19.00 M	4.20%	£1,463	BMO Real Estate Partners	Private Saudi Arabian Investor

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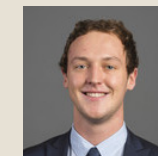
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