

West End Investment Watch



February transaction levels improve but volumes below average

Following a particularly slow start to the investment year with just two sales in January, February has generated turnover of approximately £345m across seven transactions and takes 2019 turnover to date to just over £475m (see graph 1). Although broadly similar to activity in February 2018, year-to-date volumes are down materially on the five-year-average (£1.03bn), which was boosted by the exceptionally strong starts we observed in 2016 and 2017 where around £1.5bn exchanged in January and February of these years alone.

On behalf of a Private Middle Eastern investor, Savills has sold the long leasehold interest in 17 Grosvenor Street & 17 Brook's Mews, W1, having quoted £20m for the core Mayfair office and residential opportunity. The office element totals 8,533 sq ft, has planning consent for an additional fifth floor of 1,100 sq ft and vacant possession is achievable within six months. 17 Brook's Mews is a purpose built residential building with a gross internal floor area of approximately 4,554 sq ft.

Capco has continued to expand its ownership within Covent Garden. Following their 2018 purchases on Maiden Lane and Wellington Street, the REIT has acquired The Lady magazine building, 39-40 Bedford Street & 26 Maiden Lane, wc2. The freehold totals 11,140 sq ft and occupies a prominent corner position on the southern boundary of their core estate, with Capco paying £12.4m at auction, reflecting a capital value of £1,113 per sq ft.

26 St James's Square, SW1, a freehold office totalling 15,050 sq ft and where vacant possession is achievable by January 2020, has been sold to a Private European investor. Continuing to demonstrate appetite for value-add and core plus opportunities, the owner-occupier and Swiss private bank Union Bancaire Privée, who also constructed the

property in 1990, has sold for £34m, reflecting a capital value of £2,259 per sq ft.

Our records show approximately £590m across 11 deals as under offer, however importantly eight of these are hangovers from last year with the marketing of these starting in Q3 and Q4 2018. Of the £930m of assets (15 opportunities) that we have recorded as available since the new year only two have exchanged following brief open marketing periods. UK investors continue to dominate in the West End by number of transactions.

We tend to take a backwards glance, primarily into the past month's activity, within these bulletins. However, given the wider ongoing political noise around the critical end of March date it would be sensible to assume that no records will be broken in Q1 2019 especially considering we are experiencing muted sales levels.

The MSCI average net initial yield remains at 3.60%, a level at which it has hovered around since June 2018, and the equivalent yield has shifted out marginally to 4.76% (see graph 3). Given the market mood Savills prime yield now stands at 3.75% (see graph 3).



7 transactions completed in February

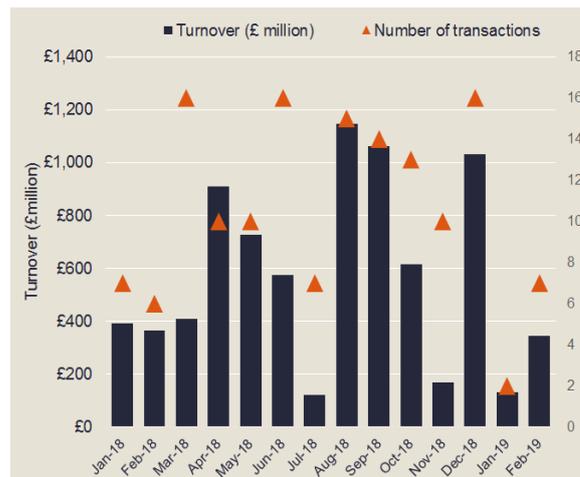


European buyers accounted for 4 of these deals

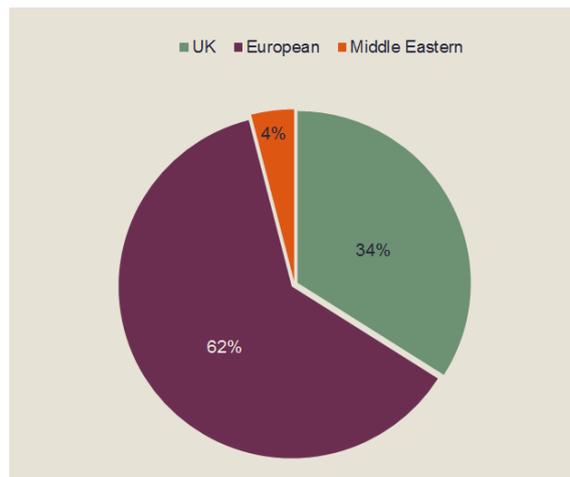


23 new opportunities available in 2019

Graph 1
Monthly turnover Jan-18 to Feb-19



Graph 2
Vendor nationality by volume Jan & Feb-19



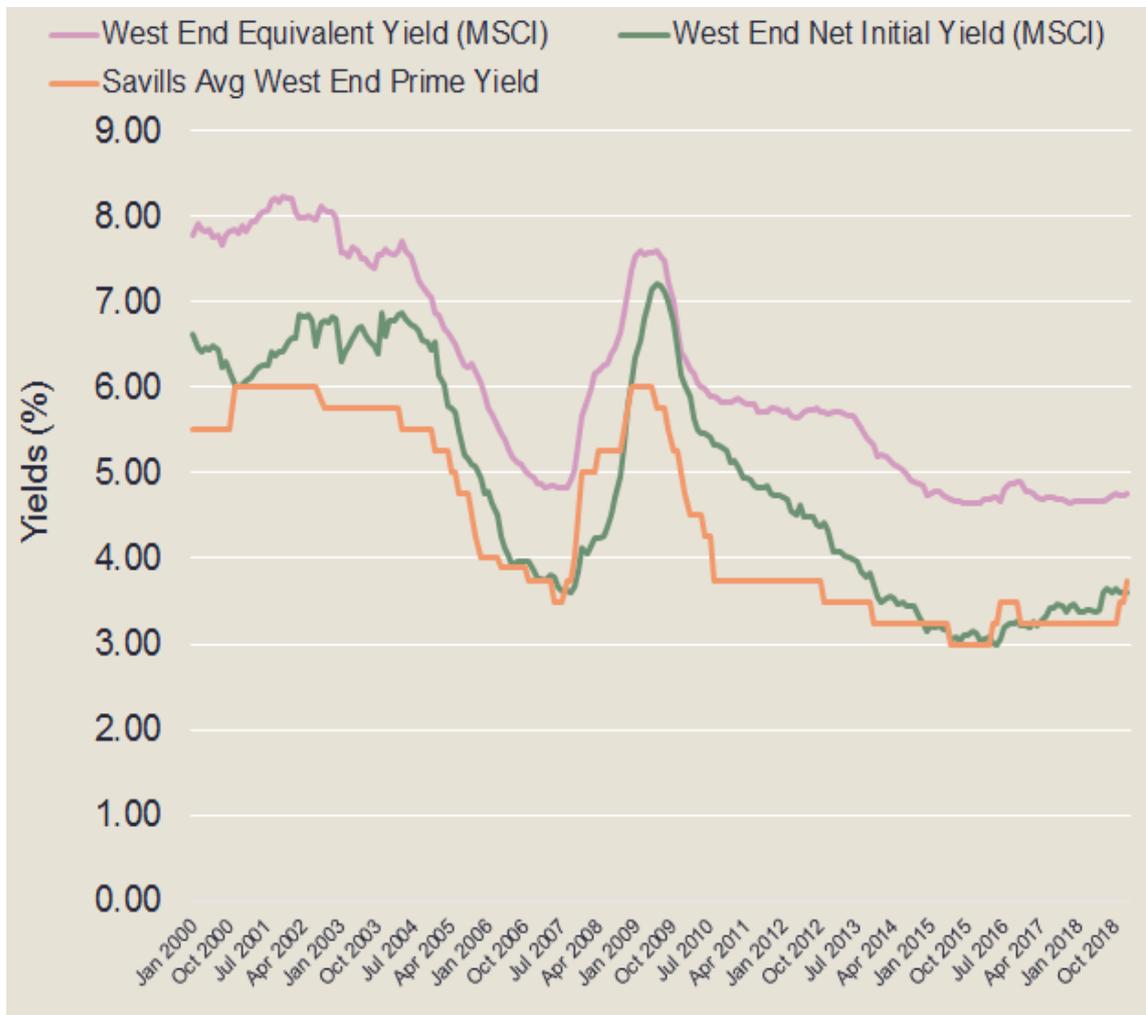
Volumes down 117% YTD

Key deals in February 2019

Address				Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
	26	St James's Square	SW1	Office	15,050	FH	-	-	£34.00 M	-	£2,259	Union Bancaire Privee	Private European
	17	Grosvenor Street	W1	Office	8,533	LLH	103	Higher of 15% rent received or 10% ERV	Confidential	-	-	Private Middle Eastern	Private European
	39-40 26	Bedford Street Maiden Lane	WC2	Office / Resi	11,140	FH	-	-	£12.40 M	-	£1,113	Private European	Private European
	11	Curzon Street	W1	Mixed Use	3,878	FH	-	-	£11.10 M	-	£2,862	Private European	Private European

Graph 3

West End Yield graph



Source: Savills, MSCI

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