

West End Investment Watch

UK Institutional appetite grows ever stronger for £100m+ opportunities

November 2015

Market comment and notable deals

■ October saw the third largest monthly transaction volume this year with £966m over 10 transactions (see graph 1). The October average deal size was close to £100m, a record monthly average by our metrics however statistics were substantially distorted by the two largest transactions of the month making up 80% of total turnover.

■ In the largest deal of the year, and the largest West End sale since August 2013, a GAW Capital-led consortium has purchased both 123 & 151 Buckingham Palace Road for £498.5m, reflecting an estimated net initial yield of 5% and a capital value of £1,192 per sq ft. The properties are held on two separate 226 year long interests, providing office and retail accommodation totalling 418,410 sq ft. GAW Capital is expected to asset manage the office accommodation and potentially reposition the retail elements.

■ In an off market transaction Perella Weinberg Partners has sold 33 Grosvenor Place for an estimated £300m, reflecting a net initial yield of 3.14% and a capital value of £1,572 per sq ft. The 124 year long leasehold interest is sub let to Hess Ltd until June 2016 whereupon Cleveland Clinic, the purchaser, will look to owner occupy through either a change of use from offices to a healthcare research facility or, alternatively keep the offices for administration space. Perella Weinberg Partners had acquired the property only 16 months previously for £204m on exactly the same lease terms.

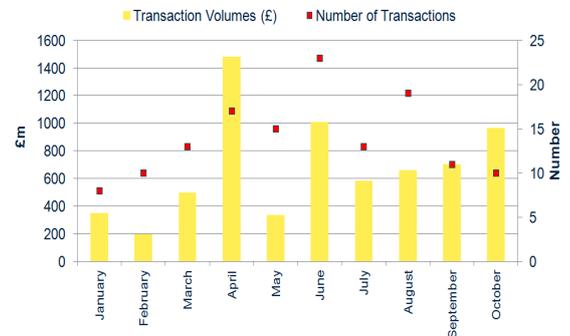
■ Advised by Savills, Blackstone has sold 9 Clifford Street, a prime Mayfair office investment. The freehold interest totals 13,231 sq ft majority let to Brown Rudnick LLP until February 2022 at a low passing rent of £57.10 per sq ft overall. The sales process was highly competitive with the property eventually being acquired by a private European Investor for £38m reflecting a net initial yield of 1.88% and a capital value of £2,872 per sq ft. Pricing was 17% above the initial guide.

■ On behalf of a Middle Eastern owner occupier, Savills has sold 182-184 High Holborn, a freehold office property totalling 29,822 sq ft. Vacant possession will be obtainable following a 12 month period during which the vendor will remain in occupation. The property was acquired by AXA Investment Management for £28.85m reflecting a capital value of £967 per sq ft. AXA will look to add value through both an extension and a comprehensive refurbishment of the asset upon gaining vacant possession.

■ UK institutions have accounted for 18% of purchases over £100m by volume this year, up from 13% over the whole of 2014. These levels are particularly notable considering that we did not witness a single purchase by UK institutions in excess of £100m from 2010-2013 (see graph 2). We remain on course to witness a record number of transactions over £100m this year, with volumes already 41% in excess of the levels achieved at this point in the previous record year (2014).

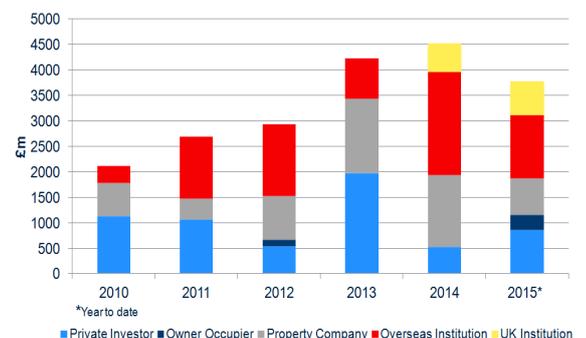
■ Whilst the IPD initial yield rose for the first time since March to 3% the IPD average equivalent yield stands at 4.68%, down from 4.92% this time last year (see graph 3).

GRAPH 1
2015 Sales Summary



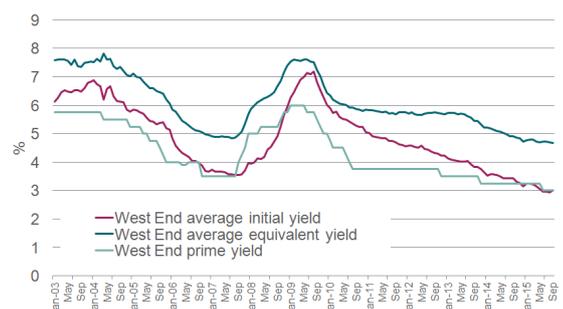
Source: Savills

GRAPH 2
Purchaser profile for transactions <£100m



Source: Savills

GRAPH 3
Yields



Source: Savills, IPD

TABLE 1
Key deals in October 2015

House	Address			Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
	No	Street	PC			FH/LH	U/x term	Gearing					
	123 & 151	Buckingham Palace Road	SW1	Office Retail	418,246	LH	226	pep	£498.50 M	5.00%	£1,192	London Global & Lambaga Tabung Haji	GAW Cpaital
	33	Grosvenor Place	SW1	Office	190,881	LH	124	5%	£300.00 M	3.14%	£1,572	Perella Weinberg	Cleveland Clinic
	9	Clifford Street	W1	Office	13,231	FH			£38.00 M	1.88%	£2,872	Blackstone	Private European Investor
	182-184	High Holborn	WC1	Office	29,822	FH			£28.85 M	n/a	£967	Arab Press	AXA Investment Management
	33	Welbeck Street	W1	Office	9,146	LH	90	11%	£12.60 M	n/a	£1,378	Kames Capital	Private UK investor
	95	Jermyn Street	SW1	Retail Office / Medical	2,243	FH			£7.00 M	2.10%	£3,121	Savills Investment Management	Crown Estate

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