

West End Investment Watch



Brexit extension delivers a window of opportunity for the market to prove its appeal

We have recorded investment turnover this month of £525m across six transactions, which brings turnover for the year to the end of April to £1.43bn. This represents declines of 31% on 2018 turnover and 40% on five-year average turnover across the same period. April marks a continuation of the incremental increase in investment volume month on month this year (see graph 1) and a trend we commented on last month.

It has been less than a month since MPs rejected the Prime Minister's EU withdrawal agreement and in this period we feel we have observed an uptick in sentiment with more activity, more transactions and importantly more new opportunities. Whilst investors were seemingly holding back potential sales in advance of the vote, new stock can once again be offered 'distraction free' in the window before October. In April, 11 new assets totalling £600m have been openly marketed; others have been more discretely launched or are in hand for May.

In one of the West End's largest deals this year and nearly one year since it was first offered for sale, Waterside House in Paddington has been sold by Korean clients' of Gaw Capital Partners. Totalling 237,801 sq ft and occupying a 1.64 acre site, the leasehold asset forms the global headquarters to Marks & Spencer Plc, who lease the entirety at £11.39m per annum, reflecting £47.92 per sq ft overall but with an outstanding June 2018 rent review. M&S effectively has a lease for a further 9.2 years. Brockton Everlast, funded by Tel Aviv Stock Exchange-listed Alony Hetz, is understood to have paid £220.5m for the vehicle in which the asset is held which reflects a net initial yield of 4.82% and a capital value of £927 per sq ft.

The Crown Estate and Motcomb Estates have continued their West End acquisition sprees in St James's, accounting for three of this month's six known deals (see overleaf). Both investors acquired assets from Aberdeen Standard, and the Crown Estate picked up another from M&G Real Estate, with all deals conducted off-market.

This takes Motcomb's Mayfair and St James's acquisitions alone to in excess of £500m in the past 12 months where the Crown Estate's known investment has been circa £360m over the same period. The buyer pool for leasehold investments has been particularly shallow in recent years, following the relatively strong demand demonstrated in 2015 and 2016 from our analysis of transactions within Mayfair and St James's only (see graph 2).

The MSCI average net initial yield remains unchanged at 3.62% along with the equivalent yield at 4.76%. Savills prime yield stands at 3.75% (see graph 3).

£525m

transacted in April



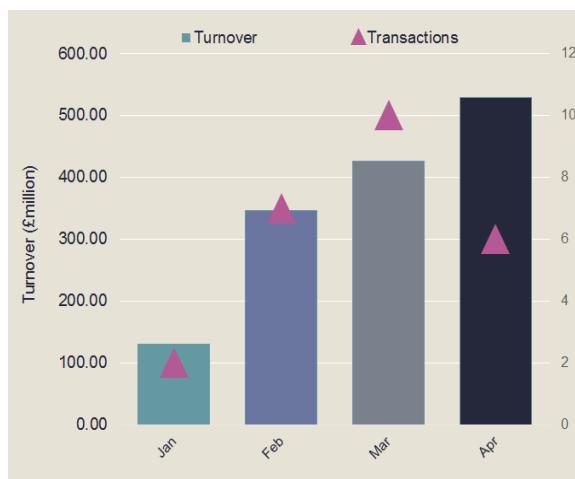
11 new assets

totalling £600m have been openly marketed this month



Monthly investment volumes have continued to increase through 2019

Graph 1
Monthly turnover 2019



Source: Savills

Graph 2
Mayfair & St James's leasehold transactions



M&S

EST. 1884

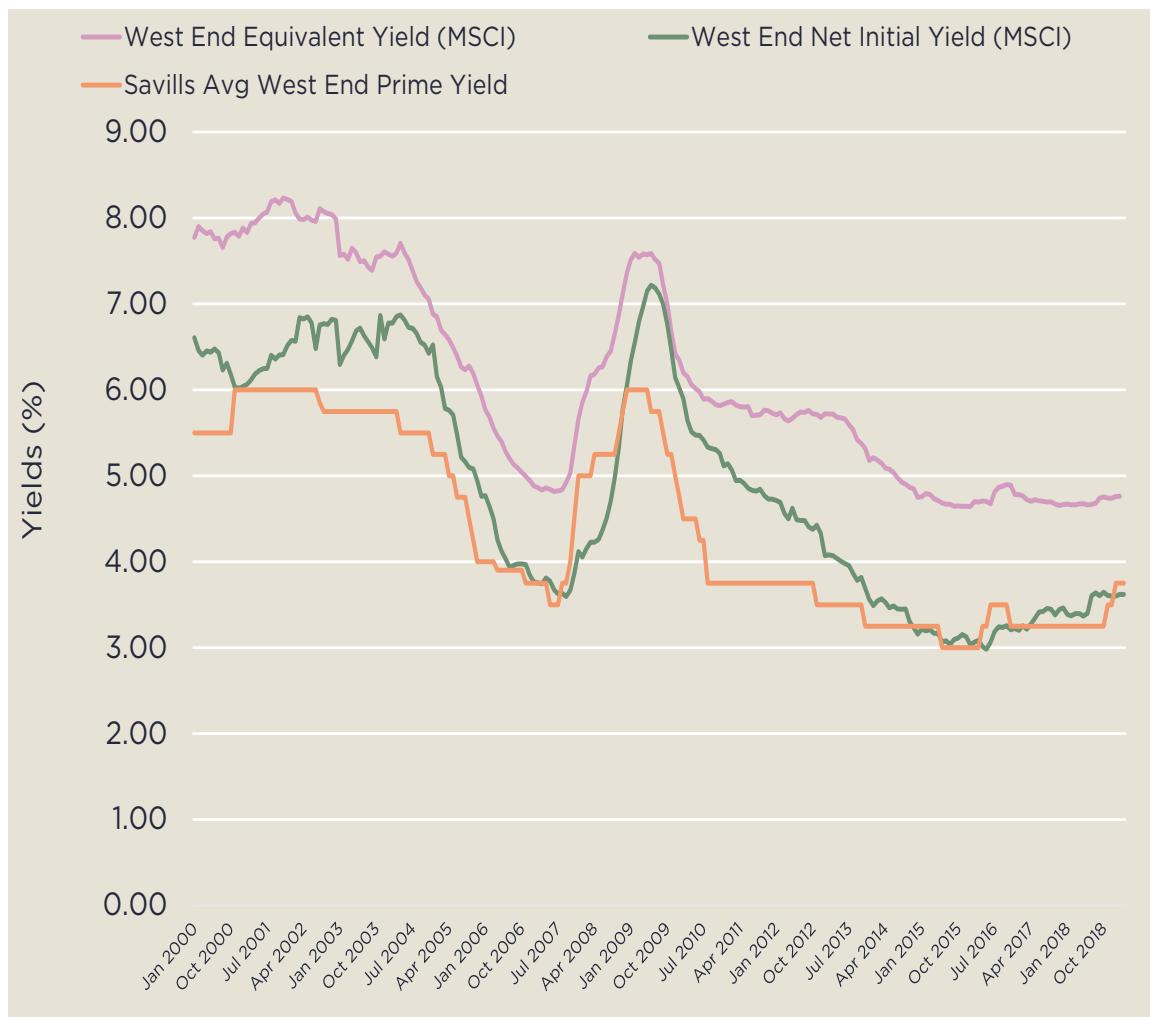
The global HQ trade marks one of the West End's largest transactions this year

Key deals in April 2019

Building Name	No	Address		Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
		Street	PC			FH/LH	U/x term	Gearing					
Waterside House	35	North Wharf Road	W2	Office	237,801	vFH	976	5%	£220.50 M	4.82%	£927	Korean clients' of Gaw Capital Partners	Brockton Everlast Inc
	100	Pall Mall	SW1	Office	60,620	LH	116.5	10%	£90.00 M	4.28%	£1,485	Aberdeen Standard Investments	Motcomb Estates
Cunard House	15	Regent Street	SW1	Office Retail	53,966	LH	-	-	£77.65 M	4.35%	£1,439	M&G Real Estate	The Crown Estate
	65	Kingsway	WC2	Office	69,058	FH	-	-	£59.00 M	-	£854	A&A Investments	Clearbell
	39	St James's Street	SW1	Office Retail	26,078	LH	110	10%	£56.00 M	-	£2,147	Aberdeen Standard Investments	The Crown Estate
The Waterman	41	Kingsway	WC2	Hotel	22,818	FH	-	-	£22.00 M	-	£964	Private European	Regal Hotels

Graph 3

West End Yield graph



Source: Savills, MSCI

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