

West End Investment Watch



July witnessed 2019's largest transaction to date, with high volumes also under offer

July has been a quiet month with volumes reaching £377m across only four transactions, bringing turnover this year to date to £2.27bn (44 transactions). This represents a 35% decline on the £3.5bn which transacted across the same period last year and is 47% down on the five-year average turnover to the end of July of £4.3bn.

On a more positive note our records show over £2bn is under offer as of the end of July, with a number of these transactions expecting to exchange within the next month. This boost in activity is reflective of a number of factors ranging from improved sentiment and stronger demand to a greater compromise by vendors against strong quote prices. We are also tracking up to £1.9bn of available assets, suggesting there is greater willingness to 'market test' assets than earlier in the year.

The West End's largest transaction this year so far saw 23 Savile Row sold by a joint venture between Angola's Quantum Global and LaSalle Investment Management. The Mayfair freehold totals 98,881 sq ft NIA, and provides 85,000 sq ft of offices across first to sixth floors and 12,638 sq ft of gallery space at basement and ground floor. The offices are multi-let at an average rent of circa £120 per sq ft and the gallery space is leased to globally-renowned art gallery Hauser & Wirth until 2029. This deal was both one of the market's most eagerly awaited and drawn out, as it was first offered for sale in March 2018. After being under offer a couple of times in this period, it has exchanged to Lazari for £277.0m, which reflects a net initial yield of 4.14%, (on the vehicle in which the asset is held), and a capital value of £2,800 per sq ft. This is their second acquisition this year following their purchase of 50 Pall Mall in March.

UK fund sales have to date have accounted for 30% of activity (13 disposals) and 33 Kingsway was Aviva's third West End sale of the year. The freehold Midtown asset was comprehensively redeveloped in 2012 and totals 60,173 sq ft NIA of predominantly office accommodation across lower ground to eighth floors with a ground floor retail unit. The offices are multi-let to four office tenants, providing a WAULT of 3.8 years to expiry (3.5 years to breaks) at an average office rent of £58.50 per sq ft and the retail is let to Pret A Manger until later this year. Trinova is understood to have paid £62.0m, reflecting a net initial yield of 5.25% and a capital value of £1,030 per sq ft. The achieved pricing was circa 25 bps softer than the quote.

Shaftesbury continues to make strategic acquisitions, and this month added to its Covent Garden portfolio with the purchase of 30-32 Neal Street. The freehold retail and office property totals 8,045 sq ft across basement to third floor. It is wholly let to Schuh Ltd with an unexpired term certain of 4.4 years, and the tenant has sublet the second and third floors. The property was marketed in November 2018 with a guide of £18.75m, however Shaftesbury picked up the property for £16.0m, reflecting a net initial yield of 3.81%.

The MSCI average net initial yield stands at 3.72% and the equivalent yield at 4.77%, representing outward shifts of only 0.01% and 0.02%, respectively. Savills prime yield remains at 3.75% (see graph 3).



Over **£2bn** of assets under offer

3.75%

West End prime yield



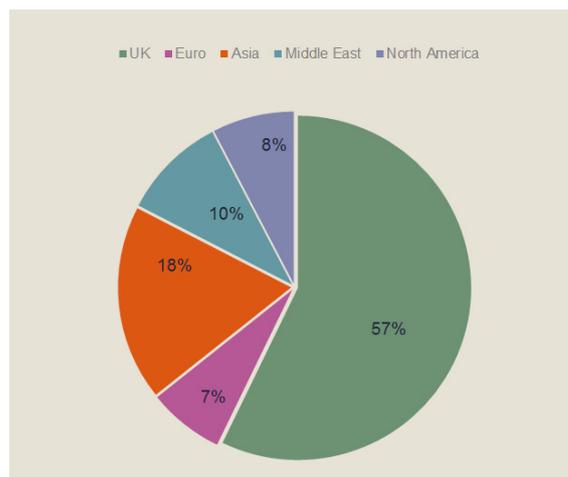
£277m - the largest single asset trade in the West End this YTD

Graph 1
Turnover to the end of July



Source: Savills

Graph 2
Turnover by nationality to the end of July



30%

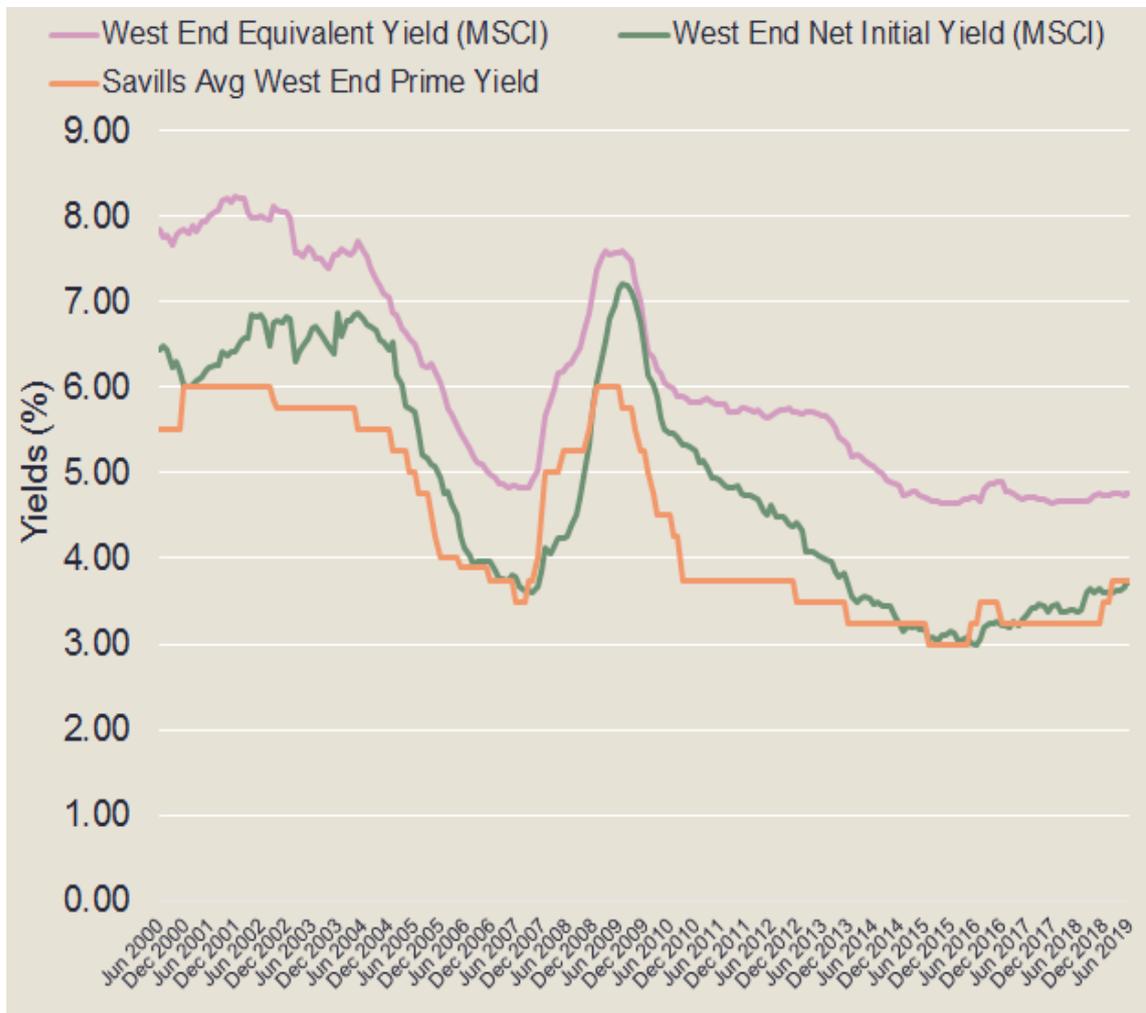
UK Funds' share of disposals by volume and number of transactions

Key deals in July 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					
	23	Savile Row	W1	Office Gallery	98,881	FH	-	-	£277.00 M	4.14%	£2,801	Quantum Global / LaSalle Investment Management	Lazari
	33	Kingsway	WC2	Office Retail	60,173	FH	-	-	£62.00 M	5.24%	£1,030	Aviva Investors	Trinova
	30-32	Neal Street	WC2	Office	9,030	FH	-	-	£16.00 M	3.81%	£1,772	Aberdeen Standard	Shaftesbury

Graph 3

West End Yield graph



Source: Savills, MSCI

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