

# West End Investment Watch

## Large lot sizes set January off to a flying start

February 2015

### Market comment and notable deals

■ The West End witnessed only seven transactions in January but due to the large lot sizes traded this still equated to £562 million worth of transactions, a 78% increase on the average January figures over the last three years. Of these transactions five had been under offer in December and had been carried into 2015.

■ In the largest transaction of the month, the German Pension Fund VGV acquired the freehold interest in 1-5 Howick Place for £210 million, reflecting a 4.26% net initial yield and a capital value of £1,217 per sq. ft. The mixed use asset comprises office, residential and retail accommodation totalling 172,561 sq. ft and has a weighted unexpired term certain of 13.1 years.

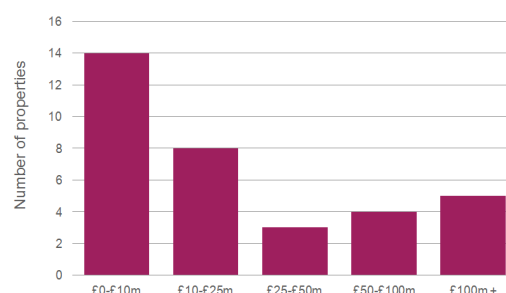
■ A joint venture between Norges Bank and The Crown Estate has bought Queensberry House for £190.6 million reflecting a net initial yield of 4.06% and a capital value of £929 per sq. ft. The property comprises a mixed use asset of 205,073 sq. ft arranged on a site area of 0.43 acres with 78% of the income derived from the office accommodation. The relatively low capital value per sq. ft achieved reflects the fact that the residential accommodation has been sold off, combined with the property's extensive basement comprising 58% of the total area. The property was first marketed in June 2014 and was rumoured to have been under offer for approximately three months.

■ A private Hong Kong investor has purchased One Chapel Place for £58.5 million reflecting a 3.66% net initial yield and a capital value of £1,709 per sq. ft. The property comprises an office and retail building totalling 34,230 sq. ft and is multi-let to seven tenants. We understand the buyer was a new entrant to the London commercial investment market and that there were three further overseas investors all close to the exchange price.

■ We have already witnessed a number of substantial sales come to the market with six of the eight properties currently available over £50 million being marketed in 2015. The two largest assets currently available are on the market through Savills, namely Notting Hill Gate Estate (£210 million) and One Sheldon Square (£187.5 million). Although there are a number of large lot sizes in the market, the majority of deals available (65%) are currently under £25 million and we outline the split of lot size availability in Graph 1.

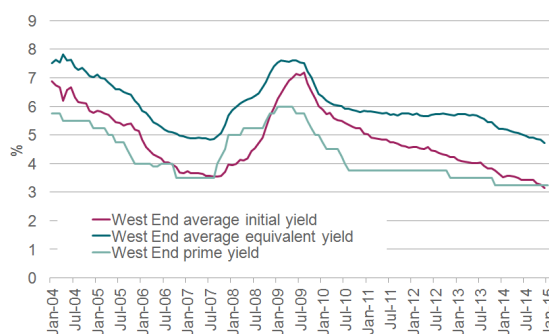
■ Prime yields remain at their historic low of 3.25%, their fifteenth month at this level. IPD West End initial yields have fallen below prime yields for the first time (see Graph 2). With continued demand for all asset classes within the West End at present we do not envisage any outward movement in yields within the short to medium term.

GRAPH 1  
Current West End Investment Availability



Source: Savills

GRAPH 2  
West End yields

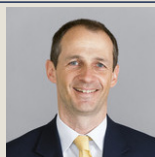


Source: Savills

TABLE 1  
**Key deals in January 2015**

| Address                          |              |                                     |     | Sector                                         | Area<br>Sq. ft | Tenure    |             |         | Price     | Yield | CV/sq. ft | Vendor         | Purchaser                                |
|----------------------------------|--------------|-------------------------------------|-----|------------------------------------------------|----------------|-----------|-------------|---------|-----------|-------|-----------|----------------|------------------------------------------|
| House                            | No           | Street                              | PC  |                                                |                | FH/<br>LH | U/x<br>term | Gearing |           |       |           |                |                                          |
|                                  | 1-5          | Howick Place                        | SW1 | Residential<br>Office<br>Retail                | 172,561        | FH        |             |         | £210.00 M | 4.26% | £1,217    | Terrace Hill   | VGW                                      |
| Queensberry House                | 3-9<br>34-41 | Old Burlington Street<br>Savile Row | W1  | Residential<br>Office<br>Retail<br>Car parking | 205,073        | FH        |             |         | £190.60 M | 4.06% | £929      | Sorgente       | Norges and<br>The Crown<br>Estate        |
|                                  | 1            | Chapel Place                        | W1  | Office                                         | 34,230         | FH        |             |         | £58.50 M  | 3.66% | £1,709    | WELPUT         | Private<br>Hong Kong<br>Investor         |
| Landmark<br>House<br>Tower House |              | Hammersmith Bridge<br>Road          | W6  | Office<br>(Development<br>site)                | 135,448        | FH        |             |         | £57.00 M  | n/a   | £421      | GEMS           | Eastern &<br>Oriental                    |
|                                  | 29-35        | Old Queen Street                    | SW1 | Office<br>(Residential<br>Planning)            | 23,161         | FH        |             |         | £28.60 M  | n/a   | £1,235    | Galliard Homes | Private<br>Middle<br>Eastern<br>Investor |

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