

# West End Investment Watch



## Lean transactional activity levels continue for yet another month

In October, we saw volumes of £205.6M over 7 transactions, taking annual turnover to the end of the month to £3.04Bn, down 52% on October 2018 levels, and 48% down on the 10 year average (graph 1).

On a more positive note, we are tracking over £2.0Bn as under offer, an increase on September's £1.2Bn, with a number of these transactions expected to complete over November. This increased level of activity could well have been a function of heightened expectation of a revised Withdrawal Agreement; albeit in the short term this will be tempered by the forthcoming general election on 12 December.

In the largest deal of the month, AXA IM have acquired the long leasehold interest in Portman Square House, 43-45 Portman Square, W1, through their corporate acquisition of Northstar Realty Europe, a fund with 16 real estate assets located across Europe, which also included Condor House, 10 St Paul's Churchyard, EC4 and 20 Gresham Street, EC2 in London. Portman Square House is held by way of long leasehold from the Portman Estate, expiring in September 2101, at a fixed ground rent of £1,000 per annum. The property comprises 114,759 sq ft of office and retail accommodation, fully multi-let to Cushman & Wakefield, Invesco and Nationwide. Whilst the asset specific price is unconfirmed, we understand that it is in excess of £100M, making it only the fifth sale in the West End over £100M to exchange in 2019, compared to 21 deals over £100M to year end 2018. However, with regard to properties with a lot size over £100M, we are tracking circa £1.35Bn under offer over 3 deals, and over £4.0Bn available, over 11 deals (graph 2).

The freehold interest in Dacre House, 19 Dacre Street, SW1 also sold to a private Israeli investor at the quoting price of £18.50M, £1,067 psf, following a competitive bidding process. The property comprised 17,345 sq ft of office, retail

and ancillary accommodation, with full vacant possession achievable by January 2020. The property benefitted from planning consent for the redevelopment and extension of the existing building, which would increase the net floor area by 40%. This deal continues to demonstrate the depth of demand for value add investment opportunities, with a good level of interest from a variety of parties, a trend we have witnessed throughout 2019.

Savills have advised on the disposal of the freehold interest in 48 Conduit Street, W1 to a private Asian purchaser for £9.88M, £1,889 per sq ft. The attractive Grade II listed property comprises 5,231 sq ft of office and retail accommodation. The property was offered with vacant possession and benefitted from full planning consent to extend the main building at 1st to 2nd floor levels together with the reconstruction of the 3rd and 4th floors.

The freehold interest in The Post Building, Museum Street, WC1, being sold by Brockton Capital & Oxford Properties, is reportedly under offer for around £600.0M, 4.00%, £1,986 psf to Ponte Gadea, the investment vehicle of Spanish retail magnate Amancio Ortego. This deal would take his West End of London holdings past £2.6Bn in total. The property provides 302,000 sq ft of office & retail accommodation, multi let to tenants including McKinsey & Company, Rothsay Life PLC and Nationwide Building Society, providing a weighted average unexpired lease term of 17.6 years to expiry, and 14.6 years to break. This demonstrates that investor demand remains robust for best in class products, with a record capital value being set for Bloomsbury.

The MSCI average net initial and equivalent yields remain broadly unchanged at 3.7% and 4.8%, respectively. Savills prime yield remains at 3.75% (see graph 3).



Only 68 deals this year in the West End

Year to date investment turnover of

**£3.04BN**

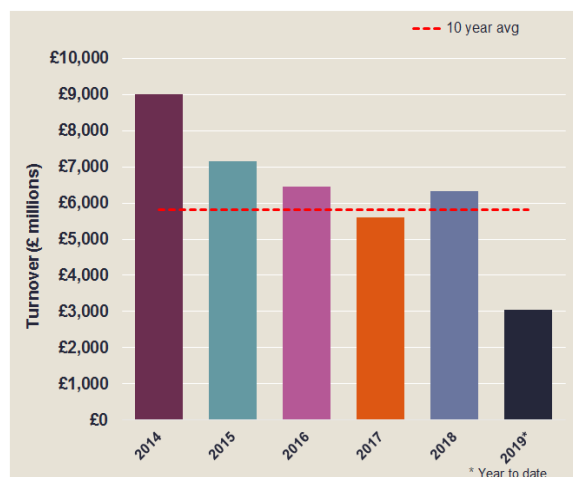
down 48% on 10 year average.



Investor sentiment has been boosted by the prospect of a Withdrawal Agreement, albeit immediately cooled by the prospect of an uncertain election

### West End Investment Turnover

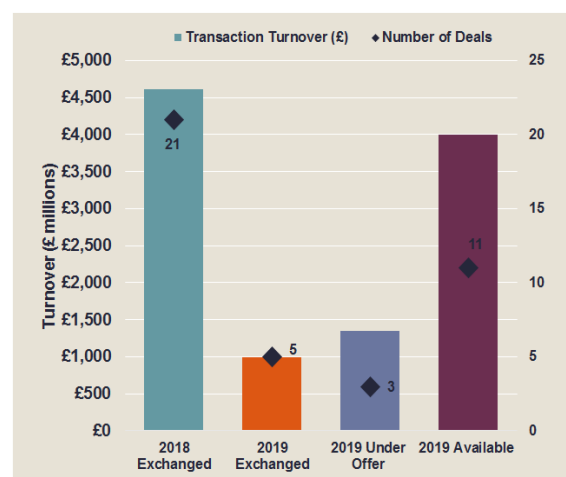
Graph 1



Source: Savills

### Transaction Volumes (Deals over £100M)

Graph 2



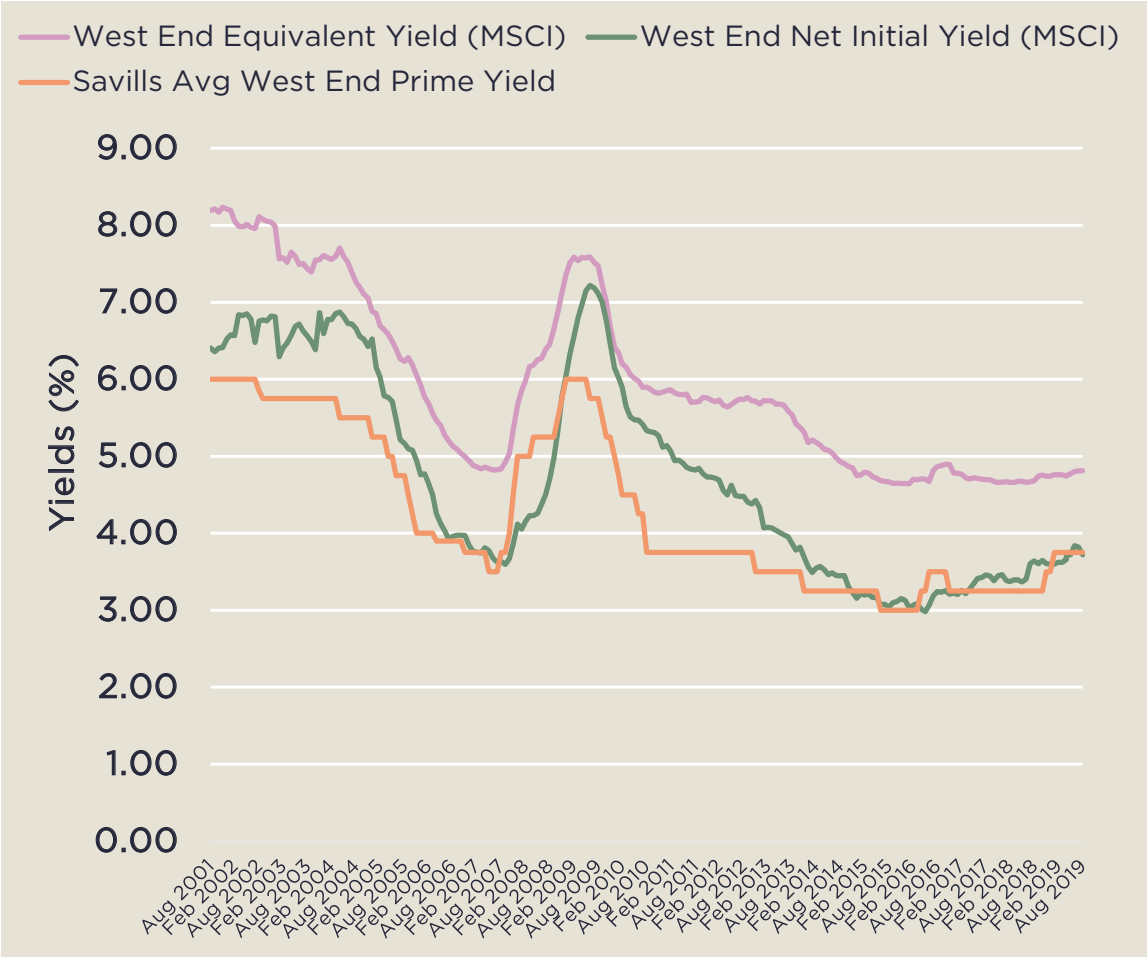
Pound has strengthened 5.44% against the USD over October, given further clarity around Brexit

Key deals in October 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					
	43-45	Portman Square	W1	Office	114,759	LH	81.8	£1,000	part of portfolio	-	-	NorthStar Realty Europe	AXA IM
Clockwork Building	45	Beavor Lane	W6	Office	39,626	FH	-	-	£35.00 M	6.38%	£883	Westbrook	CLS
Dacre House	19	Dacre Street	SW1	Office Retail	17,345	FH	-	-	£18.50 M	3.02%	£1,067	Floreat Real Estate	Private Israeli Investor
	48	Conduit Street	W1	Office / Retail	5,231	FH	-	-	£9.88 M	-	£1,889	Private UK Investor	Private Asian Investor
	41	Devonshire Place	W1	Mixed Use	8,412	FH	-	-	£8.70 M	-	£1,034	Private Asian Investor	Private UK Family Office

Graph 3

West End Yield graph



Source: Savills, MSCI

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