

# West End Investment Watch

## West End turnover forecast to reach £7bn

November 2017

■ October saw volumes of £129m over 10 transactions bringing annual turnover to the end of the month to £5.42bn. This compares starkly to £890m recorded in the same month last year. The final quarter may therefore show a more muted performance than expected. Normally the busiest time of year the read we are taking from availability and those deals already under offer suggests that year end turnover will be around £7bn; compared to £7.87bn in 2016 (see graph 1).

■ On the supply side our records show that there is presently £3bn of stock available for purchase and we outline the split of volume and lot size availability in graph 2. Some commentators have expressed concern over this volume of stock however we would note that of the total available £1bn has been available for more than 6 months suggesting over pricing and discretionary sellers rather than lack of buyer appetite.

■ On behalf of a private Investor, Savills acquired 28 Dorset Square for £33.10m, reflecting a 4.0% net initial yield and a capital value of £1,425 per sq ft. The freehold interest totals 23,235 sq ft of office accommodation, redeveloped to a Grade A specification in 2006 behind a Georgian façade in addition to the construction of a new extension to the rear of the site fronting Boston Place. The property is leased in its entirety to Orbis Investment Advisory Limited on assignment from Bacardi Global Brands for a term of 15 years with expiry July 2021 at a passing rent reflecting £58.10 per sq ft overall.

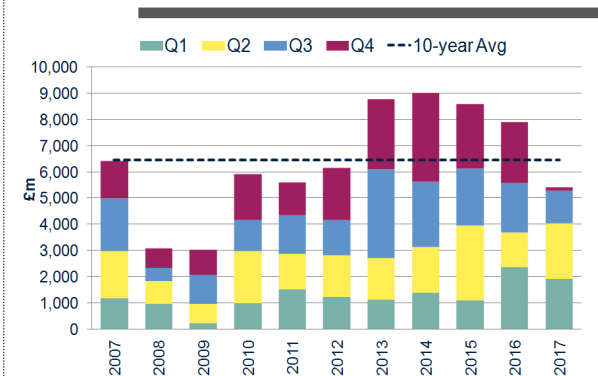
■ Colony Capital has sold the virtual freehold interest in the Gloucester Building, Kensington Village, for £18.50m, reflecting a 5.05% net initial yield and a capital value of £819 per sq ft. The 22,602 sq ft of office property was constructed in 2001 and is fully let to Banijay (Central) Limited at a rent equating to £44.11 per sq ft for a term expiring in July 2021.

■ On behalf of a private Turkish investor, Savills has sold the freehold interest in 14-15 Beauchamp Place to Raymond Estates for £11.00m, reflecting a net initial yield of 3.4% and a capital value of £2,668 per sq ft. The period property features a prominent double-frontage comprises 4,122 sq ft of highly specified retail accommodation. The property is let to Uzbek fusion cuisine chain, Uruyk, on a new 25 year lease at a rent of £400,000 per annum.

■ The IPD average net initial yield moved in to 3.45% over the month whilst the average equivalent yield remains at 4.70%, its third month at this level. Savills prime yield remains at 3.25% (graph 3).

GRAPH 1

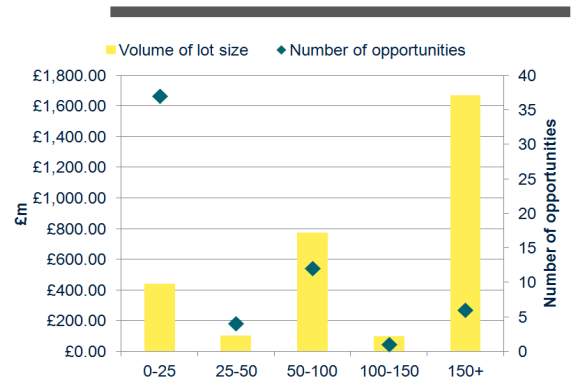
### West End turnover by quarter



Source: Savills - 2017 accurate to end of October

GRAPH 2

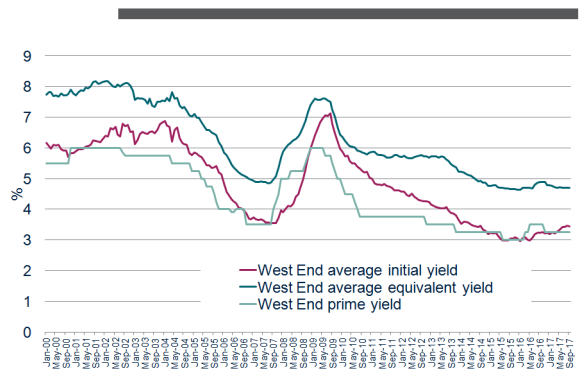
### Current West End availability



Source: Savills

GRAPH 3

### West End yields



Source: Savills/IPD

TABLE 1  
**Key deals in October 2017**

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term						
	28 2,4,6	Dorset Square Boston Place	NW1	Office	23,235	FH			£33.10 M	4.00%	£1,425	Harbert Management Corporation	Private Hong Kong Investor
Gloucester Building		Kensington Village	W14	Office	22,602	vFH	982	pep	£18.50 M	5.05%	£819	Colony Capital	Safmar Group
Chelsea Reach	79-89	Lots Road	SW10	Office	17,265	FH			£13.00 M	3.51%	£753	Private UK Investor	Private Middle Eastern Investor
	14-15	Beauchamp Place	SW3	Restaurant	4,122	FH			£11.00 M	3.41%	£2,668	Private Turkish Investor	Raymond Estates
	75-77	Brook Street	W1	Development Opportunity	-	LLH	125	10.00%	£13.20 M	n/a	-	Grosvenor Estate	India Bulls

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### Savills plc

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