

# West End Investment Watch

## Strong market sentiment sets the scene for a busy year end

October 2017

■ September saw volumes of £435m over 7 transactions bringing turnover to the end of September to £5.29bn, down 5% on last year but still 16% in excess of the 10 year average (see graph 1). Although Q3 volumes totalled just £1.26bn, the lowest recorded since 2010, sentiment remains strong for West End assets, especially core freehold income deals. With only £300m of sales landing in September, stock levels remain constrained.

■ On behalf of a private Investor, Savills acquired 32-33 Long Acre for £20.64m. The freehold interest totals 5,551 sq ft of mixed-use space arranged over lower ground, ground and three upper floors. The retail element is let to Reebok International Limited until July 2023 at a highly reversionary rent of £455,000 pa (£549 psf Zone A) while the upper floors are let to London International Film School until March 2020 at a rent reflecting £38.75 psf.

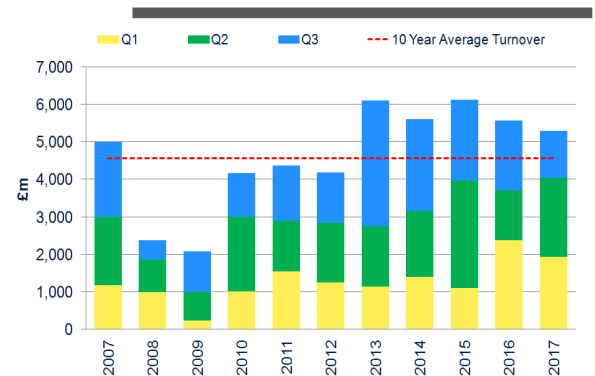
■ The Grosvenor Estate has sold the long leasehold interest (133 years at a peppercorn rent) in 10 Grosvenor Street to a private Hong Kong Investor for £152m, reflecting a 3.7% net initial yield and a capital value of £2,346 per sq ft. The property comprises 64,747 sq ft of office and retail accommodation that is multi-let to three office and three retail tenants providing a WAULT of 8 years to expiry.

■ Middle Eastern investor Blue Horizon has acquired 10 Hammersmith Grove in West London for £112m, reflecting a 4.91% net initial yield and a capital value of £912 per sq ft representing the property's third trade in the last 12 months. Newly developed in 2013 the property comprises 122,744 sq ft of office and restaurant accommodation with a weighted unexpired term of just under 10 years. The long leasehold interest (169 years unexpired) was originally sold in the immediate aftermath of the referendum result for £89m to Brockton Capital and was subsequently traded off market in November 2016 to Tai United for £103.5m.

■ The IPD average net initial yield moved out to 3.46% over the month whilst the average equivalent yield remains at 4.70%, its second month at this level (see graph 2). Savills prime yield remains at 3.25% and is arguably under downward pressure as pricing between prime and secondary decouples.

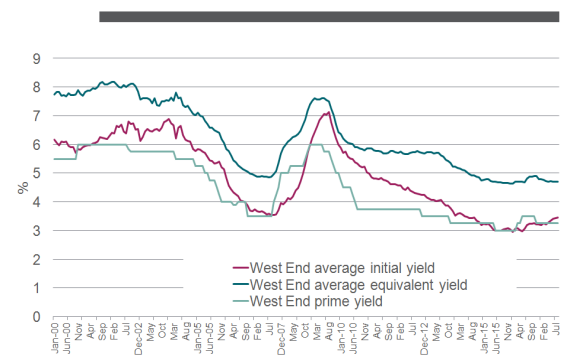
■ The Savills West End team continues to be highly active in the market having advised on over £1.1bn of deals year to date this year by volume. With 11 sales currently in the market, Q4 promises to be a busy spell.

GRAPH 1  
West End turnover to end of Q3



Source: Savills

GRAPH 2  
West End Yields



Source: Savills/IPD

TABLE 1  
**Key deals in September 2017**

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/ sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term	Gearing					
	10	Grosvenor Street	W1	Office Retail	64,747	LH	133	pep	£152.00 M	3.70%	£2,348	Grosvenor Estate	Private Hong Kong Investor
	20	Air Street	W1	Office Retail Residential	270,000	FH	25%	Share	£112.50 M	n/a	n/a	Crown Estate	Norges Bank Investment Management
	10	Hammersmith Grove	W6	Office Retail	122,744	LH	169	£1 (to LUL)	£112.00 M	4.91%	£912	Tai United Holdings	Blue Horizon Limited
	32-33	Long Acre	WC2	Retail Office	5,551	FH			£20.64 M	2.44%	£3,718	Aberdeen Asset Management	Private Investor

## Please contact us for further information



**Paul Cockburn**

Director

+44 (0)20 7409 8788

pcockburn@savills.com



**Simon Ewart Perks**

Director

+44 (0)20 7409 8003

seperks@savills.com



**Jonathan O'Regan**

Director

+44 (0)20 7409 8179

joregan@savills.com



**Barry Mangan**

Director

+44 (0)20 7409 5915

bmangan@savills.com



**Ed Nicholson**

Director

+44 (0)20 7409 8004

enicholson@savills.com



**George Gawthrop**

Associate Director

+44 (0)20 7409 8002

ggawthrop@savills.com



**Jamie Binstock**

Associate Director

+44 (0)20 7578 7548

jamie.binstock@savills.com



**Anastasia Hicks**

Associate

+44 (0)20 7299 3022

ahicks@savills.com



**Basil Walpole**

Associate

+44 (0)20 7409 8057

bwalpole@savills.com



**James Purdon**

Associate

+44 (0)20 7409 5920

jpurdon@savills.com



**David Garland**

Research

+44 (0)20 7016 3832

dgarland@savills.com

### Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.