

West End Investment Watch

Anticipated autumn stock rush after a slow summer

September 2017

■ August saw volumes of £509m over 10 transactions. Savills advised on transactions which made up almost 40% of the market by volume. This takes total investment volume to £4.79bn, up 2% on this time last year but still 11% down on 2015.

■ The summer months have been particularly quiet this year with Savills recording both the lowest turnover and number of sales over July and August combined since 2011 (see graph 1). We do not envisage this to continue as we approach Autumn with an increase of stock anticipated to be launched to the open and 'grey' markets with equal buying appetite to match. The West End team will be building on their recent success with an extremely strong sales book for Autumn totalling over half a billion pounds.

■ On behalf of a European Fund, Savills acquired the long leasehold interest in Schomberg House, 80 Pall Mall for £58.25m, reflecting a 4.28% net initial yield and a capital value of £1,563 per sq ft. The Grade II* Listed building totals 37,279 sq ft of office accommodation and is single let to Permira Advisers until June 2024 at a rent equating to £77.88 per sq ft overall.

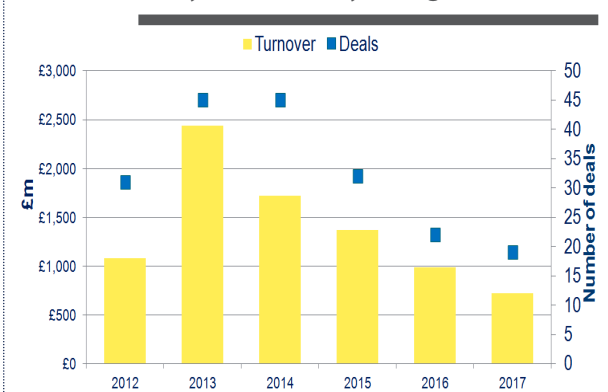
■ On behalf of Triangle Group, Savills has sold 36 Dover Street to a private investor for around £42m reflecting a capital value of nearly £3,000 per sq ft. The freehold property was redeveloped in 2014 behind an attractive period façade and provides 14,648 sq ft of accommodation arranged over seven floors. The lower floors comprise a flagship retail store leased to Victoria Beckham for a remaining term of 7.2 years on a RPI-linked rent, while the upper floors comprise fully let Grade A office accommodation leased off an average office rent of £90.32 per sq ft. The fifth floor forms a high-end residential apartment on an AST.

■ In the largest deal of the month, Tishman Speyer has sold 100 New Oxford Street to AEW and Thor Equities for £180m, reflecting a 3.63% net initial yield and a capital value of £1,677 per sq ft. The property comprises 107,362 sq ft of multi-let office and retail accommodation. The property is let to six office and eight retail tenants at a total passing rent of £6,963,990 per annum and provides a WAULT of circa 7 years.

■ The IPD average net initial yield moved out 1 bps to 3.42% over the month whilst the average equivalent yield moved in 1bps to 4.70% (see graph 2). Savills prime yield remains at 3.25%.

GRAPH 1

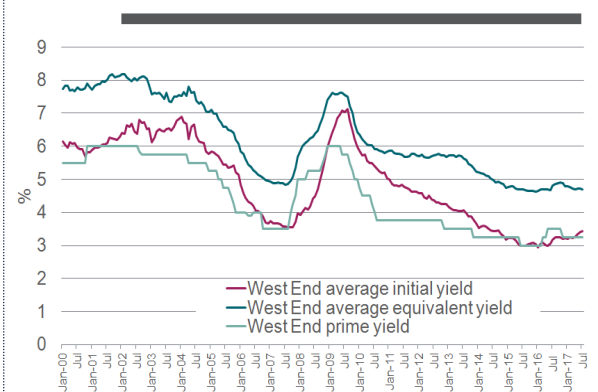
Relative Activity Levels in July & August



Source: Savills

GRAPH 2

Yields



Source: Savills, IPD

TABLE 1
Key deals in August 2017

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/ sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term	Gearing					
	100	New Oxford Street	W1	Office Retail	107,362	FH			£180.00 M	3.63%	£1,677	Tishman Speyer	AEW & Thor Equities
Schomberg House	80-82	Pall Mall	SW1	Office	37,279	LH			£58.25 M	4.28%	£1,563	Pramerica	European Fund
	95-97	Harley Street	W1	Medical	16,535	FH			£42.00 M	3.30%	£2,540	Private South African Investor	Aberdeen Standard Investments
	51-55	Frith Street	W1	Residential Office Retail Restaurant	29,795	FH			£34.50 M	3.71%	£1,202	Benesco Charity Ltd	Northwood
	41 21B	Devonshire Place Devonshire Street	W1	D1 Social and Community Residential	8,412	FH			£10.05 M	n/a	£1,194	The Royal Philatelic Society	Private Chinese Investor
	30	Charlotte Street	W1	Restaurant Ancillary	4,011	FH			£7.10 M	2.08%	£1,770	Private UK Investor	Shaftesbury
	4	D'Arbly Street	W1	Office Retail	1,605	FH			£2.525 M	2.94%	£1,573	Private UK Investor	Consulco

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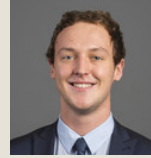
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Savills plc

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