West End turnover stood at an estimated £246m in March, spread across seven transactions. Whilst ahead of last year, this is approximately 49% below the five-year monthly average and brings annual turnover to £701m across 20 transactions - some 33% below last year’s Q1 figure and 55% below the five-year Q1 average.

Notwithstanding this, as we move into April we are tracking approximately £1.6bn of stock under offer and expect transaction volumes to have at least reached parity with, and most likely exceeded, those of last year by the end of Q2.

By way of comparison, it is interesting to note that this level of ‘drop-off’ versus the five-year average is less extreme than that which we saw in the aftermath of Lockdown 1.0 (i.e. Q2 2020) when figures were 91% below the five-year average.

Key transactions to progress in March included Grosvenor Gardens House, SW1, the freehold interest in which Bain Capital / CIT has acquired from a Private Russian Investor for a price understood to be in the region of £80m / £1,284 psf (NIA) / £696 psf (GIA), which is significantly ahead of the guide price of £70m. The Grade II listed mansion block, currently in use as offices, occupies a 1.5 acre site and has planning consent in place for the development of 42 residences and ground floor retail space. The transaction marks the fourth time the asset has traded since 2002.

Another major transaction in March was a Private Middle Eastern investor’s disposal of the virtual freehold interest in 43-44 New Bond Street, W1, which has been acquired by an undisclosed investor for a price understood to be significantly ahead of the £60m guide. The property comprises 6,209 sq ft of prime retail space and 5,506 sq ft of office accommodation above. 85% of the income is secured against the retail tenant, Wempe, at a passing rent of £1,010 Zone A.

In the latest of a series of recent disposals, Amsprop has sold Sackville House, 39-40 Piccadilly, SW1, to Germany’s Art Invest Real Estate, off-market, for a reported £52m. The property comprises 31,958 sq ft of retail space let to Lloyds Bank Plc until 2024, and six floors of multi-let office accommodation above. The purchase price reflected a net initial yield of 3% and a capital value per sq ft of £1,500, with the low yield being primarily a function of Lloyds Bank’s artificially low rent - the legacy of a lease that commenced in 1934.

Other transactions during March included 104 Harley Street, W1, the virtual freehold interest in which was acquired by a Private Overseas investor for £12.5m / 3.28% / £1,746 psf; 55-56 Russell Square, WC1, the 91 year leasehold interest in which was sold by a Private UK investor for £6.9m / 6.95% / £764 psf; and 78-80 Wigmore Street, W1, the freehold interest in which was sold by Receivers to a UK Property Company for a price in the region of £11.5m / £1,355 psf.

In terms of available stock, we are tracking a wealth of ‘buyable’ assets and expect liquidity to prove greatest in the case of sub-£100m, well-located assets with strong leasing prospects. Notwithstanding this, and in an illustration of the continued stock constriction, only five of the 65 currently-available assets have been launched this year; the remainder are either legacy stock from last year or have been known to be buyable for some time. For many, it suggests prices need to either soften or market sentiment needs to improve.

In the context of acute scarcity of prime opportunities and an increasing polarisation between ‘the best’ and ‘the rest’, Savills prime West End yield remains at 3.50% but we note continued upward pressure in the non-prime space. The MSCI average net initial and equivalent yields moved to 3.75% and 4.86%, respectively.

West End volumes set to increase following muted Q1

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Key deals in March 2021

<table>
<thead>
<tr>
<th>Building Name</th>
<th>No</th>
<th>Street</th>
<th>PC</th>
<th>Area sq ft</th>
<th>Tenure</th>
<th>Price</th>
<th>Yield</th>
<th>CV/sq ft</th>
<th>Vendor</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grosvenor Gardens House</td>
<td>35-37</td>
<td>Grosvenor Gardens</td>
<td>SW1</td>
<td>62,283</td>
<td>FH</td>
<td>£80.0M</td>
<td>-</td>
<td>£1,284</td>
<td>Private Russian</td>
<td>Bain Capital/ CIT</td>
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<tr>
<td>-</td>
<td>43-44</td>
<td>New Bond Street</td>
<td>W1</td>
<td>11,715</td>
<td>vFH</td>
<td>£60.0M</td>
<td>2.83%</td>
<td>£5,122</td>
<td>Private Middle Eastern</td>
<td>Private Overseas</td>
</tr>
<tr>
<td>Sackville House</td>
<td>39-40</td>
<td>Piccadilly</td>
<td>W1</td>
<td>33,000</td>
<td>FH</td>
<td>£52.0M</td>
<td>3.00%</td>
<td>£1,500</td>
<td>Amsprop</td>
<td>Art Invest Real Estate</td>
</tr>
<tr>
<td>-</td>
<td>104</td>
<td>Harley Street</td>
<td>W1</td>
<td>7,159</td>
<td>vFH</td>
<td>£12.5M</td>
<td>3.28%</td>
<td>£1,746</td>
<td>Private UK</td>
<td>Private Overseas</td>
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<tr>
<td>-</td>
<td>78-80</td>
<td>Wigmore Street</td>
<td>W1</td>
<td>8,488</td>
<td>FH</td>
<td>£11.5M</td>
<td>-</td>
<td>£1,355</td>
<td>LPA Receivers</td>
<td>UK Property Company</td>
</tr>
<tr>
<td>-</td>
<td>55-56</td>
<td>Russell Square</td>
<td>WC1</td>
<td>9,036</td>
<td>LH</td>
<td>£6.9M</td>
<td>6.93%</td>
<td>£764</td>
<td>Private UK</td>
<td>Private HK</td>
</tr>
</tbody>
</table>

Graph 3

West End Yield graph