



West End Investment Watch

Above average annual turnover forecasted yet transaction numbers dwindle

December 2017

■ November saw investment volumes of £245m over eight transactions. This brings the annual total to £5.7bn year to date. With circa £1.5bn under offer or already exchanged in December as we go to print, indications suggest year end turnover could reach £7.2bn. This would be down 10% on 2016 albeit still a relatively positive result and comfortably in excess of the ten year average (see graph 1).

■ Somewhat unnerving for the advisory community has been the notable drop in transaction numbers in 2017 to date; standing at 109, compared to 172 and 199 over 2015 and 2016 respectively. The most notable fall has been among deals under £50m, see graph 2. There is no apparent singular explanation for this fall. We see this as a combination of factors and reflects firstly a long term belief in the West End market, secondly the weak pound makes sales less attractive for overseas owners and finally a lack of other suitable investment media.

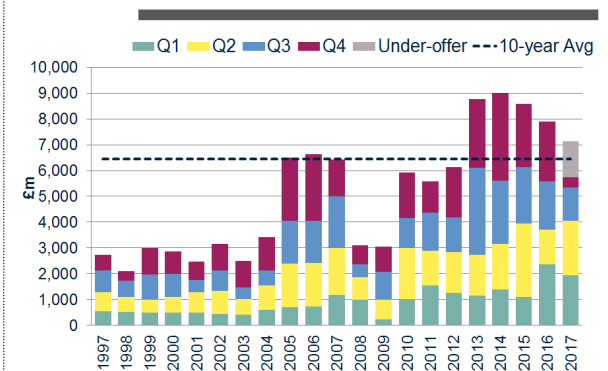
■ On behalf of a private investor, Savills has sold the long leasehold interest in 61-62 South Audley Street for £9.55m, reflecting a net initial yield of 3.06%. The two Mayfair retail units are arranged over lower ground and ground floors and total 3,392 sq ft let on two leases providing a WAULT of approximately 10 years with an immediate reversion upon settlement of an outstanding rent review.

■ In an off market transaction, the Loftus family trust has sold 22 Baker Street to Lazari for £123.0m, reflecting a net initial yield of 3.75% and a capital value of £1,661 per sq ft. The property totals 74,031 sq ft of office and retail accommodation. The offices are single let to Fujitsu until 2025 at a rent reflecting £78.30 per sq ft.

■ Fabrix Capital has acquired a portfolio of six freehold mixed use assets, all located in Soho. The properties offer a range of active management opportunities, not least the ability to capitalise on the highly reversionary income profile. Launched to the market in July with the option of either individual asset sales or a portfolio sale, the portfolio traded for £20m reflecting a capital value of £1,322 per sq ft, almost 40% in excess of the guide price.

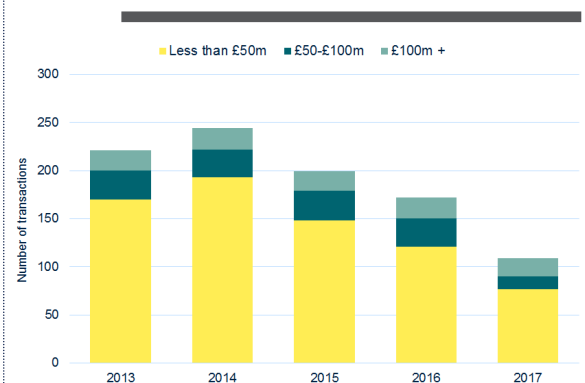
■ The IPD average net initial yield and equivalent yields both remain at 3.45% and 4.70% respectively (see graph 3). Savills prime yield remains at 3.25%.

GRAPH 1
West End turnover by quarter



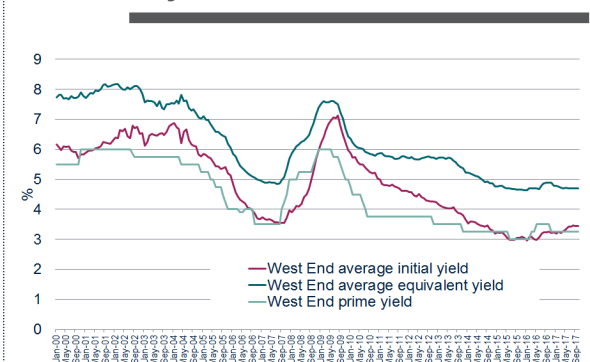
Source: Savills - 2017 accurate to end of November

GRAPH 2
Number of transactions



Source: Savills - 2017 accurate to end of November

GRAPH 3
West End yields



Source: Savills/IPD

TABLE 1
Key deals in November 2017

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/ sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term						
	22	Baker Street	W1	Office Retail	74,031	FH			£123.00 M	3.75%	£1,661	Loftus Family Trust	Lazari
Soho Portfolio	26 33A 37 & 38 30-31 20	Frith Street Dean Street Frith Street Peter Street Great Chapel Street	W1	Retail / Residential Retail / Residential Restaurant / Retail / Residential Restaurant / Office / Residential Office / Residential Total	1,941 2,258 4,671 3,964 2,289 15,123	FH			£20.00 M	n/a	£1,322	Private UK Family Trust	Fabrix Capital
	61-62	South Audley Street	W1	Retail	3,392	LH	114	pep	£9.55 M	3.06%	£2,815	Private Investor	The Grosvenor Estate
	38-42	Kingsway	WC2	Retail	5,603	vFH	996		£7.50 M	3.78%	£1,249	Private Turkish Investor	Aker Properties

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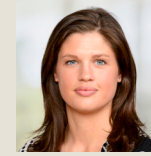


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Savills plc

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