

# West End Investment Watch

## A feast of "mega deals" looks set to add to the Christmas spirit

December 2018

### Market comment and notable deals

■ November saw investment volumes of £172m over 10 transactions which brings the annual total to £6.47bn year to date. With circa £1.3bn under offer or already exchanged in December, as we go to print, indications suggest year end turnover could reach £7.75bn. This would be 10% up on 2017 and comfortably in excess of the ten year average (see graph 1).

■ The largest deal of the month was Orchard Street Investment Management's off market acquisition of 141 Wardour Street for £55m, reflecting a 4.31% net initial yield and a capital value of £1,631 per sq ft. The property, originally built in the 1930s, was redeveloped behind a retained façade in 2001 and provides 33,717 sq ft of office and retail accommodation arranged across six floors. The office accommodation is let in its entirety to Moving Picture Company for a further 10.5 years, at an average passing rent reflecting £73 per sq ft, whilst the retail is let in its entirety to Princi. The property was sold by clients of Roebuck Asset Management who acquired the asset in 2011 for £30m.

■ On behalf of a Private UK Investor, Savills has sold the freehold interest in 58-59 Great Marlborough Street, a mixed-use Soho freehold property for in excess of the quoting price of £19m, which reflected a 3.81% net initial yield and a capital value of £1,454 per sq ft. Totalling 13,066 sq ft, the property provides office, restaurant, retail and residential accommodation across eight floors in addition to having extensive terraces to the fifth and sixth floors. Fully let to seven tenants the property has a WAULT to expiry of 2.6 years on the offices, which are let off highly reversionary rents averaging £59 per sq ft and 18.7 years on the restaurant and retail element combined.

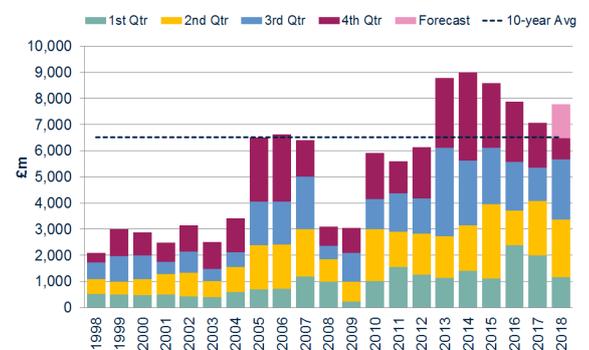
■ In the second of three sales undertaken by Savills in November, 202 Hammersmith Road was sold on behalf of Aberdeen Standard for £16.8m, reflecting a 4.43% net initial yield and a capital value of £1,139 per sq ft. Comprehensively refurbished in 2017, the building provides 14,746 sq ft of Grade A office space which benefits from an attractive, period façade. The property is single let for a remaining 9.2 years to Victoria Beckham Ltd, for an annual rent equating to £53.88 per sq ft.

■ We have already witnessed a record seven transactions over £250m this year totalling £2.47bn, with deals over this lot size making up an unprecedented 38% of total volume (see graph 2). We anticipate that three further sales, in excess of £250m, totalling almost £800m, could trade before year end. However in view of the current political mood this may act as a brake on the normal conclusion of pre-Christmas transactions.

■ Savills acted on 26% of deals by volume in November and remain extremely active with a handful of projects due to exchange as we approach year end.

■ The MSCI average net initial and equivalent yields both moved out to 3.65% and 4.74% respectively. Savills prime yield remains at 3.5% (see graph 3).

GRAPH 1  
West End turnover by quarter



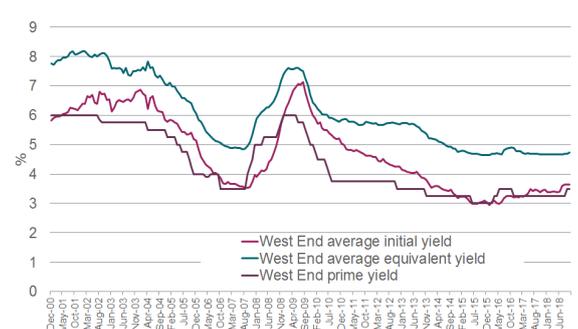
Source: Savills. Data to end of November 2018

GRAPH 2  
Lot size as a percentage of turnover



Source: Savills. Data to end of November 2018

GRAPH 3  
West End yields



Source: Savills and MSCI

TABLE 1  
Key deals in November 2018

No	Street	PC	Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
					FH/LH	U/x term	Gearing					
141	Wardour Street	W1	Office Retail	33,717	FH	-	-	£55.00 M	4.31%	£1,631	Roebuck Asset Management	Orchard Street Investment Management
58-59	Great Marlborough Street	W1	Office Retail	13,066	FH	-	-	Q.19.00M	3.81%	£1,454	Private UK Investor	Private Investor
202	Hammersmith Road	W6	Office	14,746	FH	-	-	£16.80 M	4.43%	£1,139	Aberdeen Standard Investments	Private Middle Eastern Investor
41	Bedford Square	WC1	Office	5,427	FH	-	-	£7.85 M	n/a	£1,446	Private UK Investor	Private European Investor

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### Savills plc

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