

West End Investment Watch



Q1 boom provokes flurry of activity

April saw a surge of activity and we recorded an investment turnover of £766.0m across five transactions. This reflected a 53% increase on the 5-year average, albeit the majority of this volume was largely attributed to a single trade. April's activity brings year-to-date turnover to £2.77 Bn across 29 deals (a substantial uplift on the turnover witnessed in the same period last year, whereby we reported £922.0m across 26 transactions).

The largest deal in April was GIC's acquisition of a 75% stake in Paddington Central, W2 from British Land (who retain the remaining 25% share) for a reported £694.0m. The purchase reflects 4.50% NIY and £1,224 psf across a range of assets. The joint venture initially comprises six assets which generate a passing rent of c.£52.7m per annum, reflecting £71.40 psf overall, and a WAULT of 5.5 years on the let accommodation. Key tenants at the estate include Visa Europe, Microsoft and Prudential. GIC will be granted an unconditional option to acquire 50% of 5 Kingdom Street, a 438,000 sq ft new development site within British Land's Paddington Central ownership, for £68.5m.

Other transactions included Lee Kim Tah Group's freehold disposal of Chiswick Medical Centre, W4 to PHP. The property is single let to HCA International until 2041 at a passing rent of £52 psf, subject to 5-yearly RPI-linked reviews and a tenant only break clause in 2031 (£34.5m, 4.11% & £1,313 psf).

The sale of the interest within Paddington Central marked the sixth transaction above £100.0m so far this year (the highest level since 2017, which observed seven £100m+ deals by end of April) and the total volume attributed to these transactions accounts for 83% of turnover this year so far. The increase in volume has coincided with an uptick in other newly marketed stock over the course of the month.

Savills tracked £387.0m of assets marketed in April (including both open and selective processes) across seven buildings, including Brockton's Portobello Dock (Q.£42.65m, 4.98% & £811 psf), Lothbury's 15-16 Bedford Street, WC2 (Q.£33.5m, 4.42% & £1,543 psf) and a UK charity's 7 Ridgmount Street, WC1 (Q.£27.5m & £942 psf).

In April a number of sales have proceeded to bids with the most significant being 49 Park Lane, W1. The headquarters office building, owned by Pembroke, is single-let to US law firm Wilmer Hale for a further 7.5 years at a passing rent reflecting £98 psf. This asset represents the first prime deal so far this year, by reference to location, tenure and income profile. At a quoting price of £82.5m, 3.10% & £2,960 psf for the freehold interest, the outcome of the sale process will set the benchmark and will act as a strong bellwether for the West End prime yield. In terms of development transactions, Ballymore held the first round of bids for the joint venture opportunity in EG:HQ, Nine Elms. The site benefits from planning consent for a c.220,000 sq ft office-led scheme and the vendor is seeking offers in excess of £80.0m for the land payment, reflecting c.£366 psf on the consented area.

Seven openly marketed assets were placed under offer over the course of the month totalling £286.0m. However, whilst the market seems poised for an active Q2, the ever-changing geopolitical and economic environment could present hurdles. Led by a further expected hike in the Bank of England base rate and the much reported inflationary pressures, it will be interesting to observe the effect of such macro pressures on the investment market.

Savills prime West End yield remains at 3.25% and the Bank of England Base Rate also remains the same at 0.75%, while the UK Treasury Yield has increased and stands at 0.69%.



6 transactions above £100.0m, the highest level since 2017

£2.77Bn

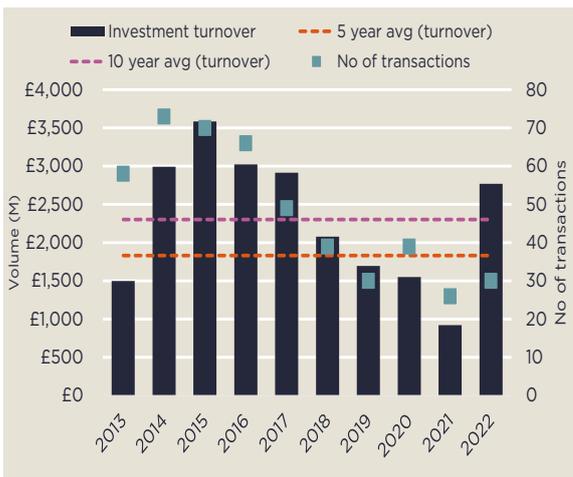
Annual turnover to date, a 200% increase on the same period last year



£286.0m places under offer across seven assets

Year-to-date Turnover (2013-2022)

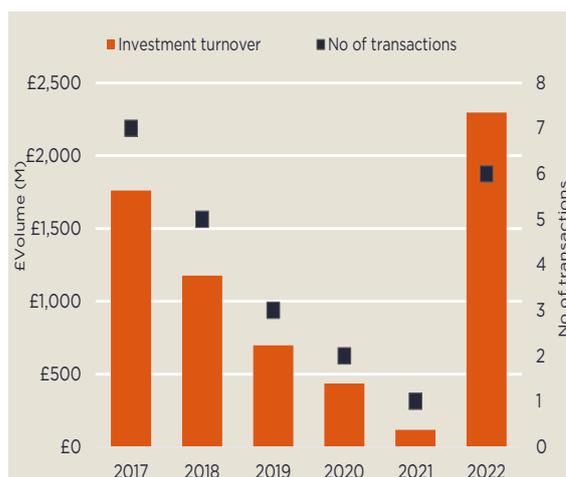
Graph 1



Source: Savills

£100M+ Transactions (Year-to-date 2017-2022)

Graph 2

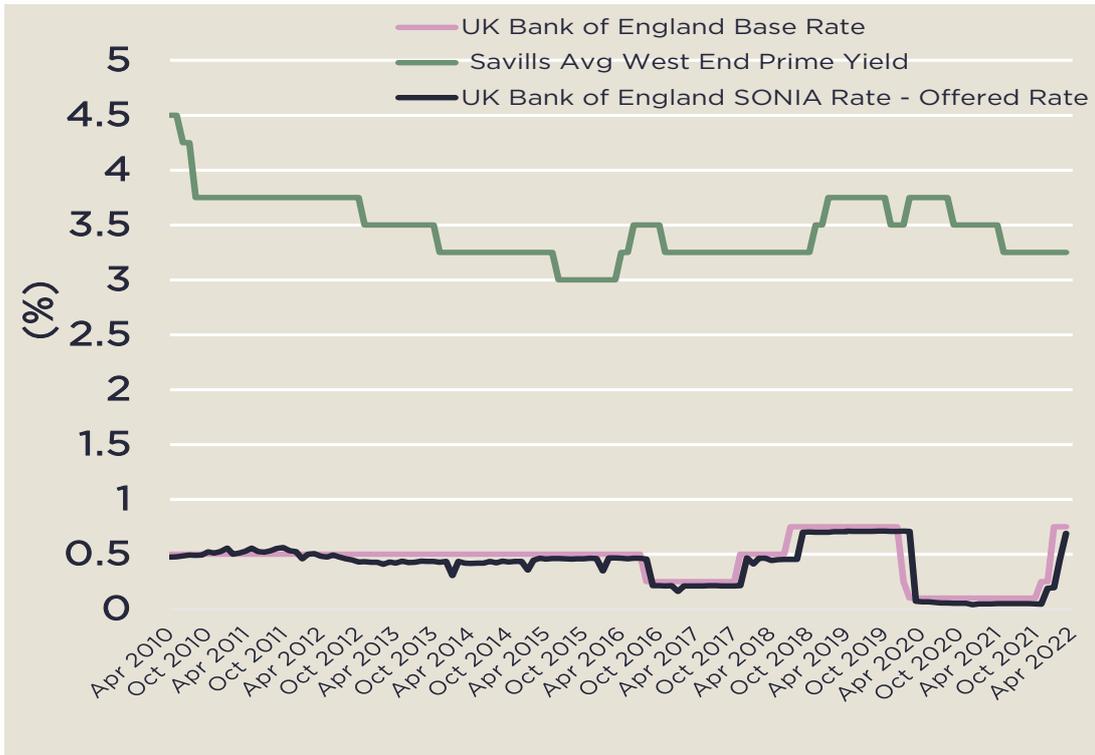


3.25%

Savills prime yield remains at this level

Graph 3

West End Yield graph



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