

West End Investment Watch



Spike in activity as July turnover exceeds entire Lockdown level

In a sign of growing market momentum, July's investment volume reached £411m across eight transactions; this represents 25% of annual turnover to date, and exceeds the combined volume of the previous four Lockdown months.

This brings cumulative annual turnover to £1.66bn across 54 transactions; whilst this is a higher transaction number than during the same period last year, it is 35% lower in terms of volume and reflects a 58% decrease on the five year average.

The most significant transaction to exchange (and the first £100m+ deal since February) was 1 New Oxford Street, WC1, which was acquired from Nuveen / BA Pension Fund by Singaporean new entrant, Sun Venture, advised by Savills.

The property comprises of 96,500 sq ft of office accommodation, which is let to H&M and Twitch UK for 7.8 years at £77 per sq ft, and 12,800 sq ft of retail space arranged across six units. The guide price of £180m reflected a net initial yield of 4.02% and a capital value per sq ft of £1,647.

In-keeping with a trend seen throughout H1, the next three largest transactions all took place off-market; 103 Mount Street, W1, which was acquired by Trinova / Stars REI from Meyer Bergman for £78m (£2,487 psf); 2&4 Soho Place, W1, which Derwent London sold to a Private UK investor for £40.5m (4.06% / £2,201 per sq ft); and 25 Hanover Square, W1, which Morgan Capital acquired for an estimated £40.5m (2.83% NIY / £3,152 per sq ft) from a Private Ukrainian investor.

Other key transactions during the month included 8-9 Stratton Street, W1, which was acquired for owner occupation by the National Bank of Egypt for £36m (£2,179 per sq ft), having been openly marketed in January for £33m, and 91 Dean Street, W1, which Savills sold to a confidential UK Property Company on behalf of the owner occupier, SoHostel, for ahead of the guide price of £30m.

Interestingly the strong pricing levels achieved in each of these transactions do not imply any discount to pre-COVID levels; if anything, they reinforce the notion that in times of heightened uncertainty, investors value property as a physical commodity and for its relative yield, provided it is of sufficient quality or offers secure income.

We are tracking over £700m of stock under offer and expect a relative glut of assets to be marketed in the coming weeks, both by opportunistic vendors and by those who would have otherwise done so earlier in the year had it not been for the Lockdown period. Many others, however, are still maintaining a watching brief on activity before making sales decisions.

One notable development to emerge this month is the Government's proposal to put all commercial uses into one all-encompassing group - 'Class E'. We are still digesting the full implications of this relaxation, but the flexibility it affords to landlords should enable them to find the most efficient occupier mix for their asset, without needing consent to do so.

We expect July's momentum to be sustained throughout the typically quieter month of August, and for pricing to remain accordingly robust for core, well located assets. On the basis of the evidence seen this month, Savills prime West End yield remains at 3.75%.

The MSCI prime and equivalent yields stand at 3.71% and 4.85% respectively.

25%

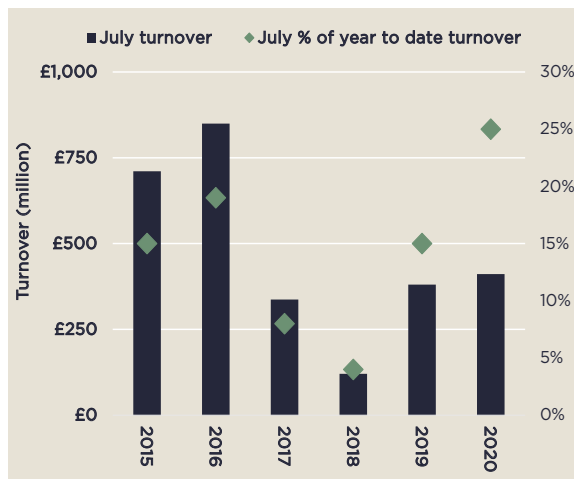
July's investment volume represents 25% of annual turnover to date



Cumulative annual turnover down 35% on last year and 58% on the five-year average

July turnover as a percentage of annual turnover

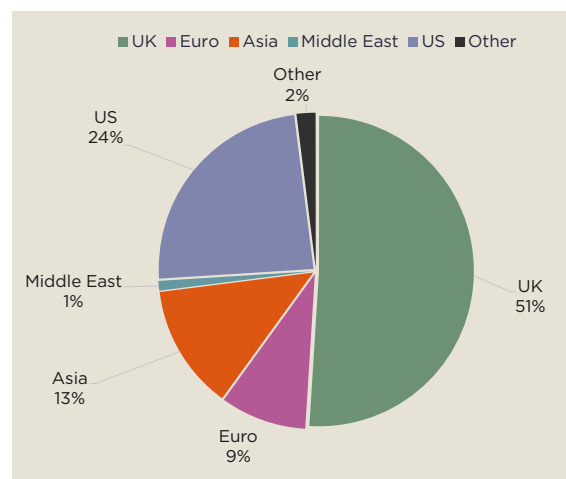
Graph 1



Source: Savills

2020 Investment Volume by Purchaser Nationality

Graph 2



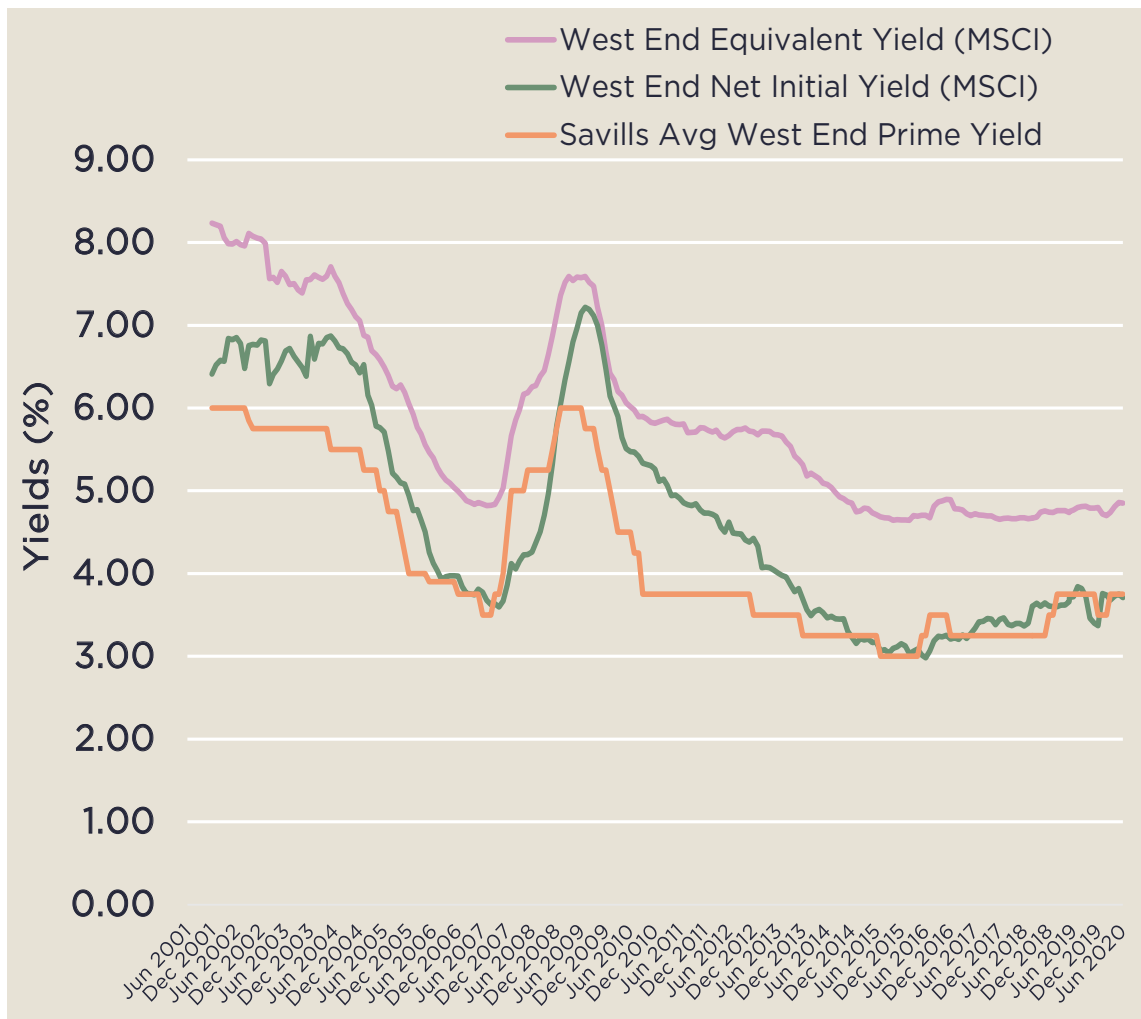
Increased momentum expected to continue through August, with £700m currently under offer

Key deals in July 2020

Address				Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
-	1	New Oxford Street	WC1	Office / Retail	109,300	FH	-	-	Q.£180.0 M	4.02%	£1,647	Nuveen / BA Pension Fund	Sun Ventures
-	103	Mount Street	W1	Retail / Office	31,623	LH	106	10% 22%	£78.0 M	4.06%	£2,006	Meyer Bergman	Trinova / Stars REI
-	2 & 4	Soho Place	W1	Office	18,400	LH	150	-	£45.5 M	VP	£2,201	Derwent London	Private UK
-	25	Hanover Square	W1	Office / Retail	12,851	FH	-	-	£40.0 M	2.87%	£3,113	Private Ukrainian	Morgan Capital
-	8-9	Stratton Street	W1	Office	16,523	FH	-	-	£36.0 M	VP	£2,179	US Government	National Bank of Egypt
SoHostel	91	Dean Street	W1	Sui Generis	32,900 (GIA)	FH	-	-	Q.£31.0 M	n/a	£912	SoHostel	Confidential

Graph 3

West End Yield graph



Source: Savills, MSCI

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