

West End Investment Watch



Off-market transactions dominate activity and flight to quality intensifies

Transactions continued apace in November, with £402m trading across 10 deals, the majority of which fall into the core category. This is marginally above the long term average turnover level for November and brings investment volume to date to £4.3bn, some 27% below the five year average but 65% ahead of last year's equivalent figure of £3.6bn.

In the continuation of a theme that we have seen throughout the year, a large proportion of November's transactions (90% by volume) took place off-market, the largest of which was Cain International's disposal of its long leasehold interest in 17-22 South Audley Street, W1, for £100m / £2,083 psf.

The freehold interest in 50 St James's Street, SW1, which comprises 25,424 sq ft (NIA) / 49,657 sq ft (GIA) of vacant commercial accommodation, currently in sui generis use, has been acquired by an undisclosed investor for a price understood to be just under £100m. At close to £3,900 psf, the transaction reinforces the flight-to-quality theme which continues to strengthen across the West End and highlights, in particular, the trophy status of freehold assets in St James's.

In another off-market transaction, Lazari has acquired the freehold interest in 13 Hanover Square, W1, for £70m, which reflects a capital value of £2,016 psf and a net initial yield of 3.00% based on the passing rent of £2,242,785 p.a. (£69 psf on the let accommodation). The property is majority let (66% by income) to service office provider, Halkin Management Company Ltd, until 2028 and also includes a retail unit let to Pret a Manger until 2031.

Savills has acted on behalf of two overseas investors in two off-market transactions; namely the freehold interests in 283 Oxford Street, W1, and 17-18 Dover Street, W1, which have exchanged for £43.3m (3.61% / £3,355 psf) and £40m

(3.18%/£3,167 psf) respectively. The former is majority let to Footlocker (85% by income) until 2028 and was acquired from M&G, while the latter is single let on a RPI-linked lease to luxury wellness clinic, Lanserhof at The Arts Club, until 2033 with a reversionary lease in place to 2043 thereafter.

Additional transactions include SE Land & Estates' acquisition of the freehold interest in 80-84 Brewer Street & 10-11 Lower John Street, W1 (£17m / 3.31% / £1,700 psf); a Private Russian investor's disposal of the freehold interest in 169 Fulham Road, SW3 (£12.1m / 3.41% / £1,722 psf); and National Educational Union's disposal of the freehold interest in 7 Northumberland Street, WC2 (£9.5m / £799 psf).

Finally, Savills has also acted in the disposal of 36 Linhope Street, NW1 (£5.60m / £924 psf) and the acquisition of 96-98 Baker Street, W1 (£4.95m / 5.05% / £784 psf) on behalf of London Business School and a Private Israeli investor, respectively.

As we move into December, we are tracking a record £4.5bn under offer in the West End, with key transactions to watch including British Land's disposal of a 75% stake in Paddington Central, W2; Almacantar's disposal of the long leasehold interest in 5 Marble Arch Place, W2; Landsec's disposal of 40 Strand, WC2; and Grosvenor's disposal of a 50% share in 76 Buckingham Palace Road, SW1.

Based on November's activity, Savills prime West End yield remains at 3.25%, while the MSCI net initial and equivalent yields stand at 3.04% and 4.51%, respectively.

3.25%

Savills prime yield remains under downward pressure



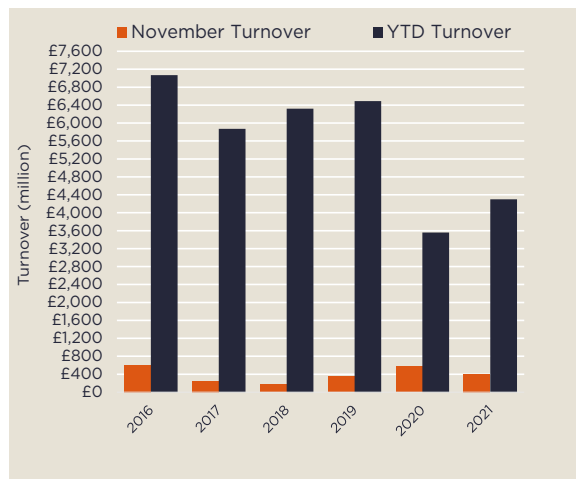
£402M transacted this month



A record number of £4.5BN under offer

November & YTD Turnover (2016-2021)

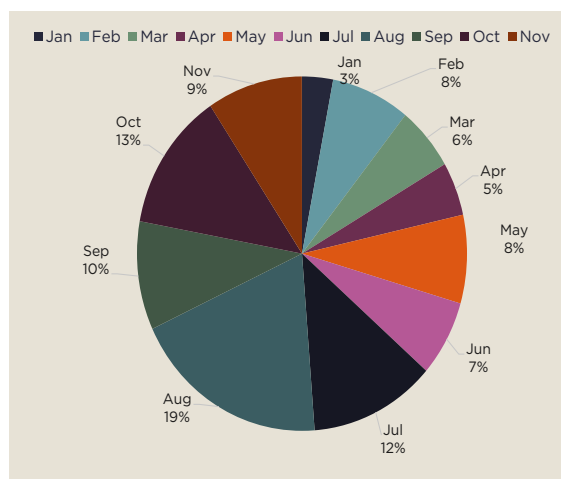
Graph 1



Source: Savills

YTD Turnover by Month (2021)

Graph 2

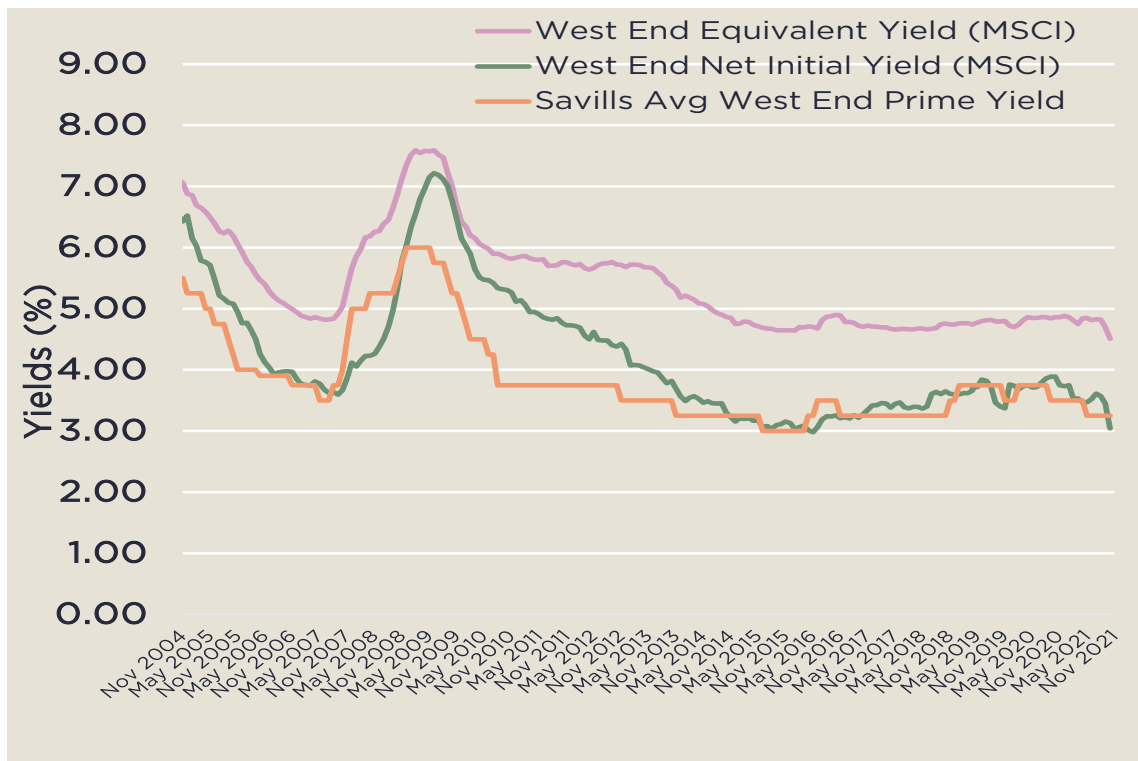


£4.3BN

Annual turnover 65% up from 2020

Graph 3

West End Yield graph



Savills contacts

Please contact us for further information

Paul Cockburn
 Director
 West End Investment
 020 7409 8788
 pcockburn@savills.com

James Purdon
 Associate Director
 West End Investment
 0207 409 5920
 jpurdon@savills.com

Emma Mason
 Research Analyst
 Research
 0207 409 5903
 emma.mason@savills.com

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