

West End Investment Watch



West End activity picks up, despite forthcoming General Election

November saw investment volumes of £354.5M across 11 transactions which brings the annual total to £3.37Bn (year to date), which compares to £6.47Bn at the same point last year, 41% below the 10 year average (see graph 1). We are tracking £2.3Bn under offer, across 36 deals, an increase on October's £2.0Bn, with a number of these deals expected to complete before year end. Historically deal activity has always waned ahead of an election, however current market activity would suggest the contrary.

This month, we have seen a resurgence of overseas capital targeting the UK market. Both on our active sales and other transactions we have seen renewed evidence of European and Asian capital targeting London. Hong Kong investors have exchanged on two West End deals (65 Chandos Place & 118-124 Charing Cross Road) and under offer on one more (Orion House, 5 Upper St Martin's Lane).

In the largest deal of the month, the freehold interest in 11 Belgrave Road, SW1, being sold by a private Middle Eastern investor, was purchased by residential developer Quadrum Global for around £72.0M, 4.32%, £851 psf. The property comprises 84,522 sq ft of office accommodation, single-let to the Secretary of State for Housing, Communities and Local Government until April 2021 at a rent of £3,324,643 per annum. Quadrum Global sold 21 Dartmouth Street, SW1 in May 2019, and are believed to be redeploying the capital.

The freehold interest in Orion House, owned by WELPUT, is rumoured to be under offer to a private Hong Kong investor reportedly around £130.0M, 4.73%, £1,429 psf, having previously been under offer to Criterion Capital. The property comprises 90,853 sq ft and is multi-let to eight office tenants generating a total passing rent of £6,560,534 per annum, with 28% of income secured against The Office

Group (TOG). Starbucks occupy the ground floor retail unit.

On behalf of Conegate Ltd, Savills have advised on the disposal of the freehold interest in Wingate House, 93-107 Shaftesbury Avenue, W1, a Soho development site to European investor, BC Partners. The property comprises 70,019 sq ft of mixed use accommodation, configured as eight floors of office space above one medical, four retail and two leisure units. The property was fully let to seven tenants, and provided a variety of value-add angles. The sale price is confidential, the guide price was £81.0M, 3.79%, £1,157 psf.

The freehold interest in 65 Chandos Place, WC2, being sold by Blackrock, has exchanged to a consortium of Hong Kong investors for a reported £30.2M, 4.84%, £1,281 psf, having previously been under offer for around £29.0M. The property comprises 23,567 sq ft of Grade A office accommodation, multi-let to seven tenants. The property has an annual passing rent of £1,489,513, which reflects £65.96 per sq ft overall.

The MSCI average net initial and equivalent yields have tightened to 3.46% and 4.79%, respectively; with the initial yield index now having reportedly moved a staggering 0.365% in the last 2 months alone. Savills prime yield remains at 3.75% (see figure 3).

£3.37 BN

turnover to the end of November



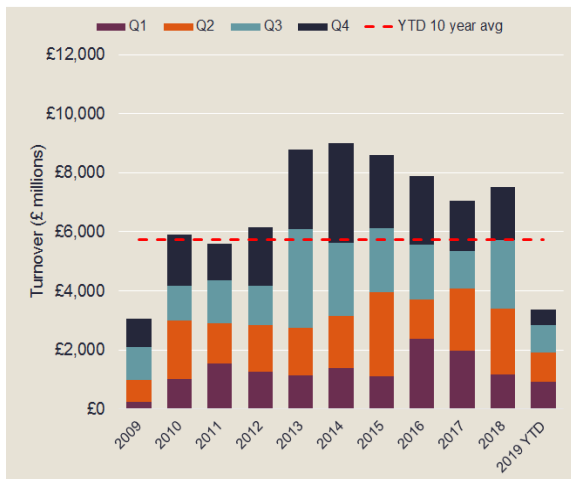
There has been a resurgence of Hong Kong capital targeting the UK market



Investment stock remains constrained

West End Investment Turnover

Graph 1



Source: Savills

Lot size as a percentage of turnover

Graph 2



Savills prime yield remains at

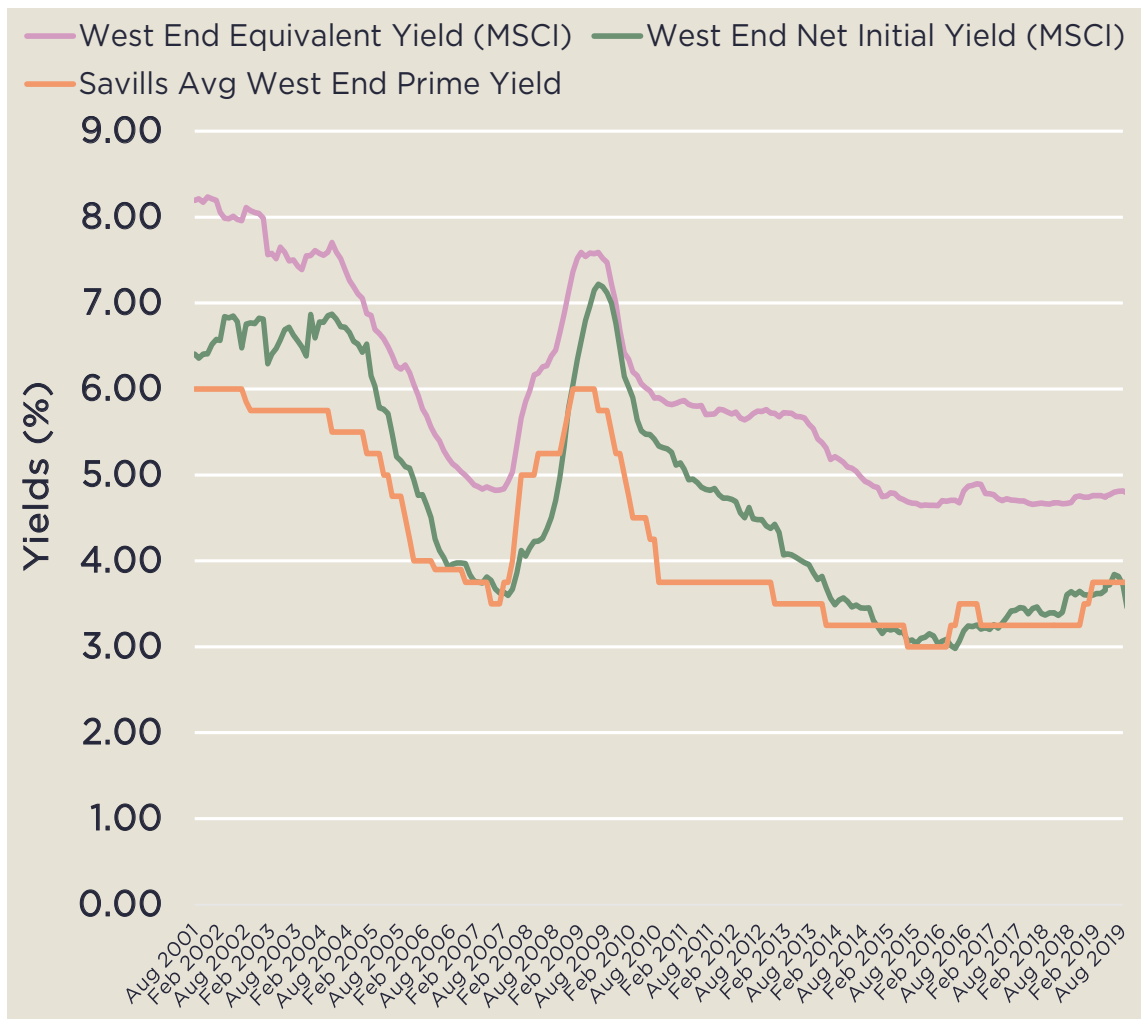
3.75%

Key deals in November 2019

Building Name	Address			Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
	No	Street	PC			FH/LH	U/x term	Gearing					
	11	Belgrave Road	SW1	Office	84,522	FH	-	-	£72.00 M	4.32%	£852	Private Middle Eastern	Quadrum
	86	Brook Street	W1	Office	10,244	LH	106	15.00%	£17.10 M	3.28%	£1,669	Stow Securities	Private
	65	Chandos Place	WC2	Office	22,583	FH	-	-	£30.20 M	4.84%	£1,337	Blackrock	Private Asian
	118-124	Charing Cross Road	WC2	Office / Retail	39,115	FH	-	-	£36.50 M	3.32%	£933	Aberdeen Standard	Private Asian
Project Tyburn	19	Old Park Lane	W1	Mixed Use	-	FH	-	-	£68.00 M	2.49%	-	Genting	DTZi

Graph 3

West End Yield graph



Source: Savills, MSCI

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