

West End Investment Watch



2019's close brings apparent certainty and a major boost to investment volumes

December transactions accounted for 30% of the West End's total annual turnover by volume, and 19% by the number of transactions.

Whilst an eventful December is by no means unusual, the extent to which it dominated the year is unprecedented (see Graph 2) and can be attributed to a myriad of factors, in addition to the traditional year-end pressures.

On a macro level, these included the economic and political certainty brought by a Conservative majority - and subsequent emergence of relative clarity regarding Brexit. On a market level, the sheer lack of any material activity throughout the rest of the year, coupled with the closure of two massive December deals (which accounted for 56% of the monthly volume) should not be ignored.

The most significant of these was Ponte Gadea's acquisition of The Post Building, Covent Garden, from Oxford Properties & Brockton for £607.5m, which reflects a net initial yield of 3.95% and a capital value per sq ft of £2,011 - a record for the micro-location. The AHMM-designed building, which completed in May 2019, is majority let to McKinsey & Company, Rothesay Life plc and Nationwide Building Society at an average rent of £87 psf, for a weighted unexpired term certain of over 14.9 years.

December volumes were also boosted by Cording Real Estate and Tristan Capital Partners' £245m acquisition of Teddy Sagi's 2.5 acre Holborn Links Estate, K&K's acquisition of Orion House from WELPUT for £130m and a confidential Savills disposal in excess of £100m.

December's activity brought total annual turnover in the West End to £5.14bn across 98 transactions - 36% below the previous five years' average by volume, and 46% by number

of transactions. The lack of liquidity manifested itself most starkly in the £100m+ category, where we witnessed only 11 transactions - approximately half the number seen in both 2018 and 2017.

It is important to note that the diminished activity stemmed more from a lack of liquidity and stock than a lack of purchaser appetite, but the scale of uplift seen in December and weight of live investor requirements bode well for a more active 2020, notwithstanding enduring geo-political headwinds.

Across 2019 as a whole, domestic buyers retained their long-term status as the West End's largest investor group, accounting for 47% of turnover by volume, and 57% by number of transactions.

For the second consecutive year, European investors accounted for a larger share of annual turnover than Asian investors, accounting for 26% by volume and 17% by number of transactions. Asian investors' figures were relatively muted, however, at 13% in both categories.

Savills acted on one in every five West End transactions in 2019 (22% by volume) and advised on more sales than any other agent. This represents another strong year for the team, whose market share versus other advisors rose to 25% by volume, and 24% by number of deals.

The MSCI average net initial and equivalent yields moved to 3.40% and 4.79%, respectively. Savills prime West End yield stands at 3.50% (see Graph 3).

£5.14bn

West End turnover in 2019 was £5.14bn across 98 deals



30%

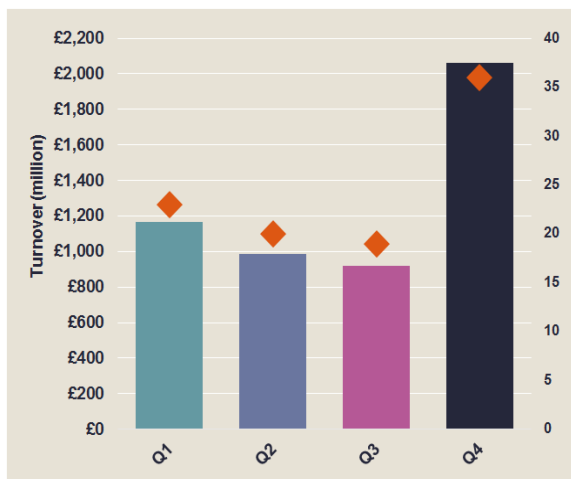
December accounted for almost a third of annual West End turnover



UK Purchasers responsible for 47% of deals by volume

Investment Turnover by quarter

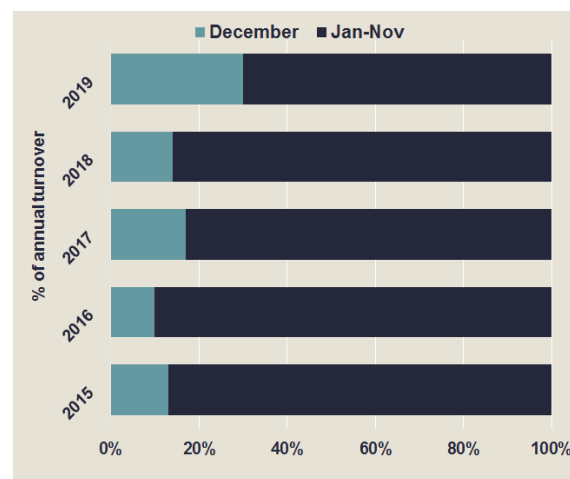
Graph 1



Source: Savills

December turnover as % of annual volume

Graph 2



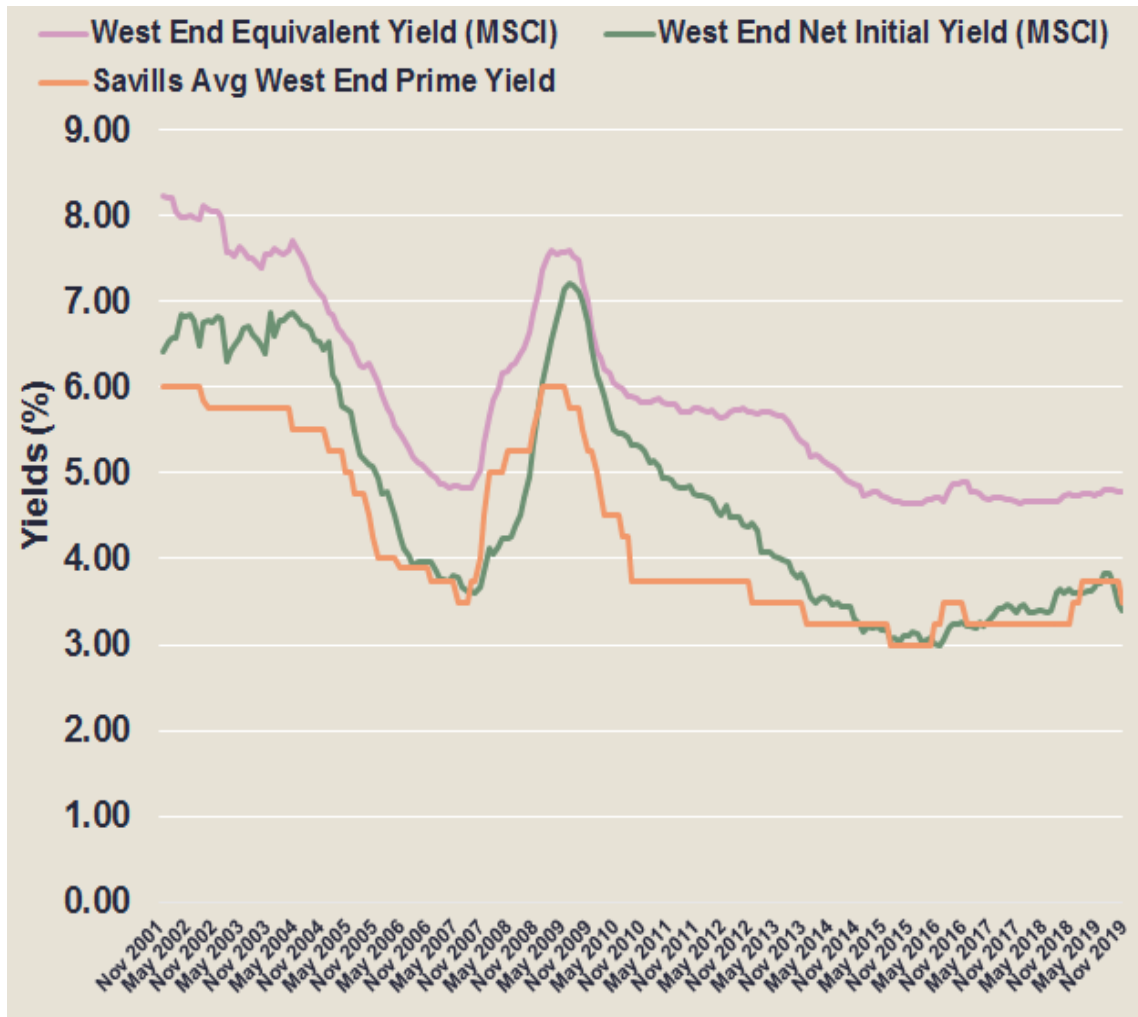
Savills advised on 1 in every 5 West End deals in 2019

Key deals in December 2019

Address				Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
Post Building	-	Museum Street	WC1	Office/ Retail	301,905	FH	-	-	£607.50 M	3.95%	£2,011	Oxford Properties /Brockton	Ponte Gadea
The Holborn Links Estate	-	High Holborn	WC2	Mixed Use	249,011	FH	-	-	£245.00 M	3.11%	£984	LabTech	Cording Real Estate / Tristan Capital
Kings Mall	-	King Street	W6	Retail	268,344	FH	-	-	£138.00 M	4.00%	£514	Schroders	Ingka Centres
Orion House	5	Upper St Martins Lane	WC2	Office/ Retail	90,916	FH	-	-	£130.00 M	4.73%	£1,429	WELPUT	K&K
West One (25% Stake)	-	Oxford Street	W1	Mixed Use	23,000	LH	91.5	11%	£54.25 M	-	£2,359	Norges	British Land
Kings Walk	-	Kings Road	SW3	Mixed Use	54,975	FH	-	-	£48.00 M	-	£873	O&H	Crosstree Real Estate
-	45	Maddox Street	W1	Office/ Retail	4,540	FH	-	-	Q.£9.00 M	Q. 3.28%	Q. £1,982	Private UK Investor	Confidential

Graph 3

West End Yield graph



Source: Savills, MSCI

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