

West End Investment Watch



Flurry of December transactions rallies 2021 transaction volumes to pre-covid levels

December's investment activity totalling £1.53bn accounted for 26% of the West End's annual volume and reflected 19% of deals by the number of transactions. This has left 2021 turnover 19% higher than 2020, partly justified by the fact less of the year was restricted by a national lockdown. More notably 2021 turnover sits 11% above the 2019 total and only 4% below the 5-year average, illustrating a resurgence in market activity to pre-Covid levels.

Whilst an eventful December is by no means uncommon, the scale at which it dominated the year was unprecedented, with 7 transactions over £100m taking place compared to 18 deals in this size bracket exchanging over the entire year. This indicates the undeterred and significant investor confidence in the West End market in spite of the ongoing and uncertain pandemic conditions.

The largest transaction to take place in December was ARA Dunedin Asset Management's long leasehold acquisition of 5 Marble Arch Place from Almacantar for £280m, which reflects a net initial yield of 4.18% and a capital value of £1,974 psf. The Rafael Viñoly-designed scheme, which completed in Q3 2021, partly comprises offices which were pre-let entirely to Bridgepoint Advisers Ltd at a blended rent of £120 psf. The retail component is partially let. The property also comprises 54 residential apartments which have been sold off on long leases.

In a clear portrayal of the continued appeal of opportunities with secure long-dated income, USS purchased Invesco's freehold interest in 40 Eastbourne Terrace, Paddington, for £143m, reflecting a net initial yield of 3.50%. Planning consent is in place for a single 369-key hotel which is pre-let to Premier Inn for a term of 35 years, subject to 5-yearly CPI-linked rent reviews.

Other notable transactions include Nuveen's acquisition of the remaining 50% share of the long leasehold interest in Belgrave House, 76 Buckingham Palace Road (£157m / 5.51% / £565 psf) and Brunswick's purchase of The Eversholt, Euston, from Aviva (£112m / 5.04% / £1,010 psf).

Savills was involved in 6 transactions totalling £352m in December, including Rolling Stock Yard, King's Cross (£77m / 4.44% / £1,429 psf) on behalf of Life Science REIT, 1 Old Queen Street, Westminster (£38.45m / 3.85% / £1,950 psf) on behalf of RE Capital, and 25 Marylebone Road (£28.45m / £575 psf on GIA) on behalf of The Methodist Church. This brings Savills 2021 West End market share to a leading 28% by turnover and 23% by number of deals, demonstrating another strong year for the team.

Synonymous with the numerous travel restrictions imposed in 2021, domestic investors made up 36% of total West End turnover, followed by European and Asian buyers at 27% and 16% respectively.

As we enter 2022 Savills are tracking £3bn of assets under offer. It will be interesting to observe whether this encouraging market momentum continues as the UK Government considers further measures to negate the impact of the Omicron coronavirus variant.

Based on December's activity, Savills prime West End yield remains at 3.25%, while the MSCI net initial and equivalent yields stand at 2.82% and 4.44% respectively.



Savills West End market share over 2021 came to 28%



Turnover was 11% higher in 2021 than 2019 (UK's most recent pre-Covid year)



39% of £100m+ transactions took place in December

Annual Turnover (2017-2021)

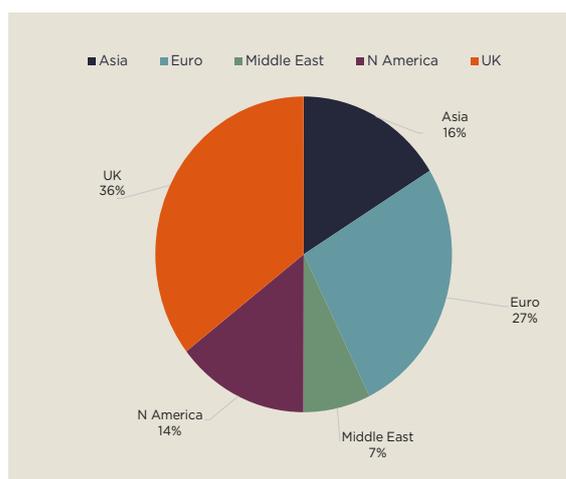
Graph 1



Source: Savills

Turnover by nationality (2021)

Graph 2

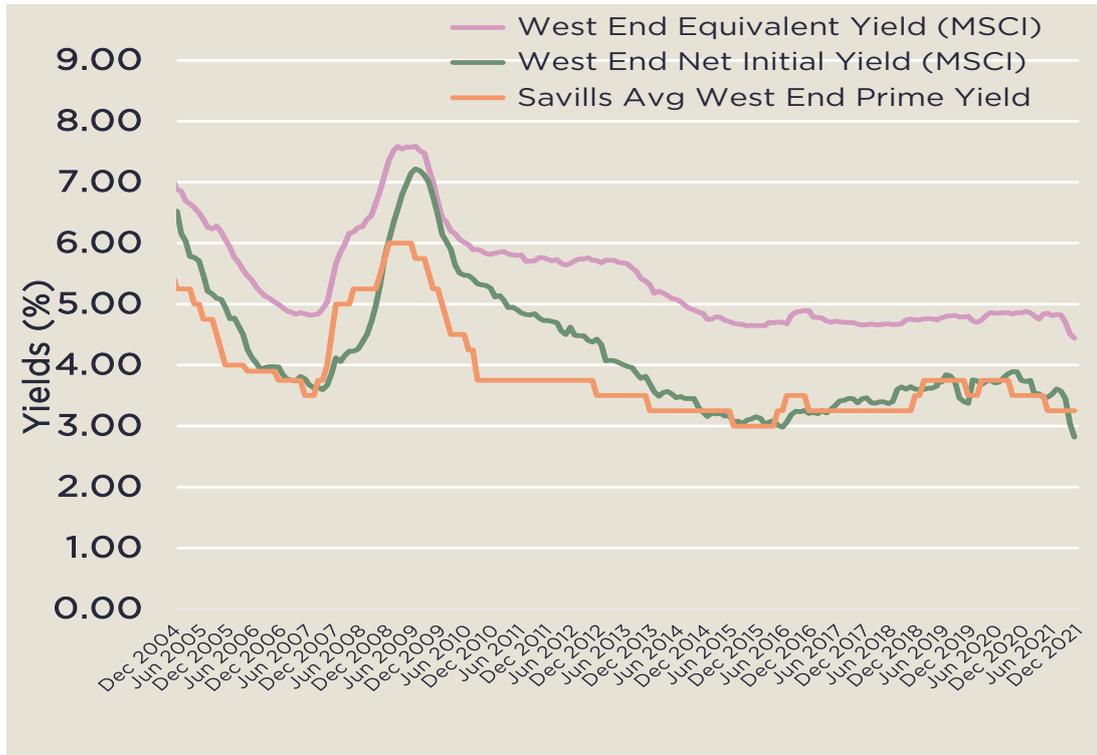


28

Savills advised on 28 transactions in 2021, more than any other agent

Graph 3

West End Yield graph



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