

# West End Investment Watch



## Prime West End yield compresses as H1 turnover shows strong recovery

Investment volumes in June stood at £277m, spread across five transactions. This brings cumulative investment volume for the first half of the year to £1.55bn across 41 transactions, 47% below the previous five years' average and a stark contrast to the 2015 peak of £2.9bn.

Notwithstanding this, the H1 figure represents a 25% increase on the equivalent period last year and we anticipate market sentiment to continually strengthen as we move through H2.

This growing momentum is perhaps best illustrated by analysis of Q2 activity, which saw £832m trade across 20 transactions – a notable contrast to the near standstill conditions in Q2 2020 where volume stooped to £155m, spread across only nine transactions.

In the largest transaction of the month, Savills has jointly sold Ballymore's virtual freehold interest in One Embassy Gardens, SW8, to Kennedy Wilson for £177.5m. The purchase price reflects a net initial yield of 4.5% and a capital value of £1,138 psf. The property, which is 82% let to Penguin Random House at an average rent of £55 psf, comprises 156,000 sq ft of office accommodation and forms the commercial centrepiece of the wider Nine Elms Quarter.

In another illustration of continued investor appetite for the Tottenham Court Road micro-location, Savills has acquired the freehold interest in 70 New Oxford Street, WC1, on behalf of State Street, for £34.9m which reflects a net initial yield of 4.04% and a capital value of £1,403 psf. The property, which comprises 24,875 sq ft of retail and office accommodation, is multi-let to five tenants for a weighted unexpired term certain of 3.75 years at an average rent of £71 psf.

Acting on behalf of a Private European Investor, Savills has acquired CBREgi's freehold interest in 63-66 St Martin's Lane, WC2, for £10.25m, which reflects a net initial yield of 4.39% and a capital value of £1,523 psf. The property, which comprises 6,728 sq ft of leisure accommodation and a sold-off residential element above, is let to the Alchemist Bar and Restaurant for 14 years at a rent reflecting £119 psf (on a weighted basis).

Other key transactions during June included Patrizia's acquisition of the freehold interest in 24 Endell Street, WC2, for £42.5m (£606 psf), reportedly for its own occupation, and Assura's acquisition of AEW's freehold interest in 10 Hammersmith Broadway, W6, for £10.58m, some 24% ahead of the quoting price. The property is single let to the NHS for 9.5 years and in a sign of continued demand for long-dated, secure income, both the net initial yield (3.83%) and capital value per sq ft (£1,423) represent records for the submarket.

As we move into July, we are tracking approximately £1.8bn available on the open market and expect this figure to increase considerably over the course of the summer, based on known imminent launches. In an indication of growing momentum and vendor confidence in the prospects of asset liquidity, over 20% of the currently available stock was launched during June and several of the assets in question have already been placed under offer or had bids received.

Based on emerging evidence and underlying sentiment, Savills prime yield now stands at 3.25% albeit we would note upward pressure on yields for secondary assets, especially those with near-term leasing void exposure. The MSCI net initial and equivalent yields stand at 3.47% and 4.84% respectively.

**81%**

Savills involved in 81% of transactions by volume



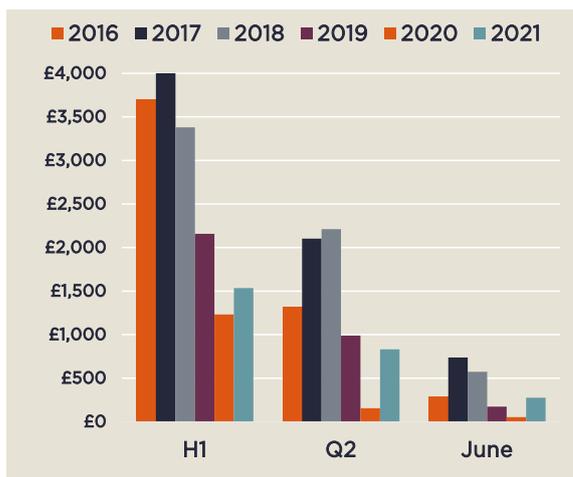
Prime West End yield compresses to 3.25%



H1 turnover up 25% Y-o-Y

### H1, Q2 & June Turnover (2016-2021)

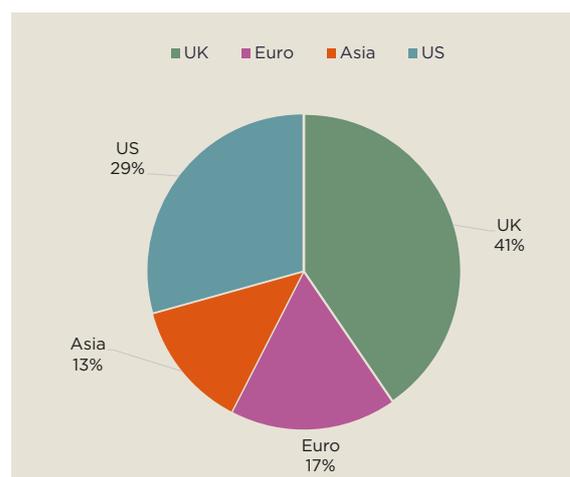
Graph 1



Source: Savills

### H1 Purchaser Nationality (by Volume)

Graph 2



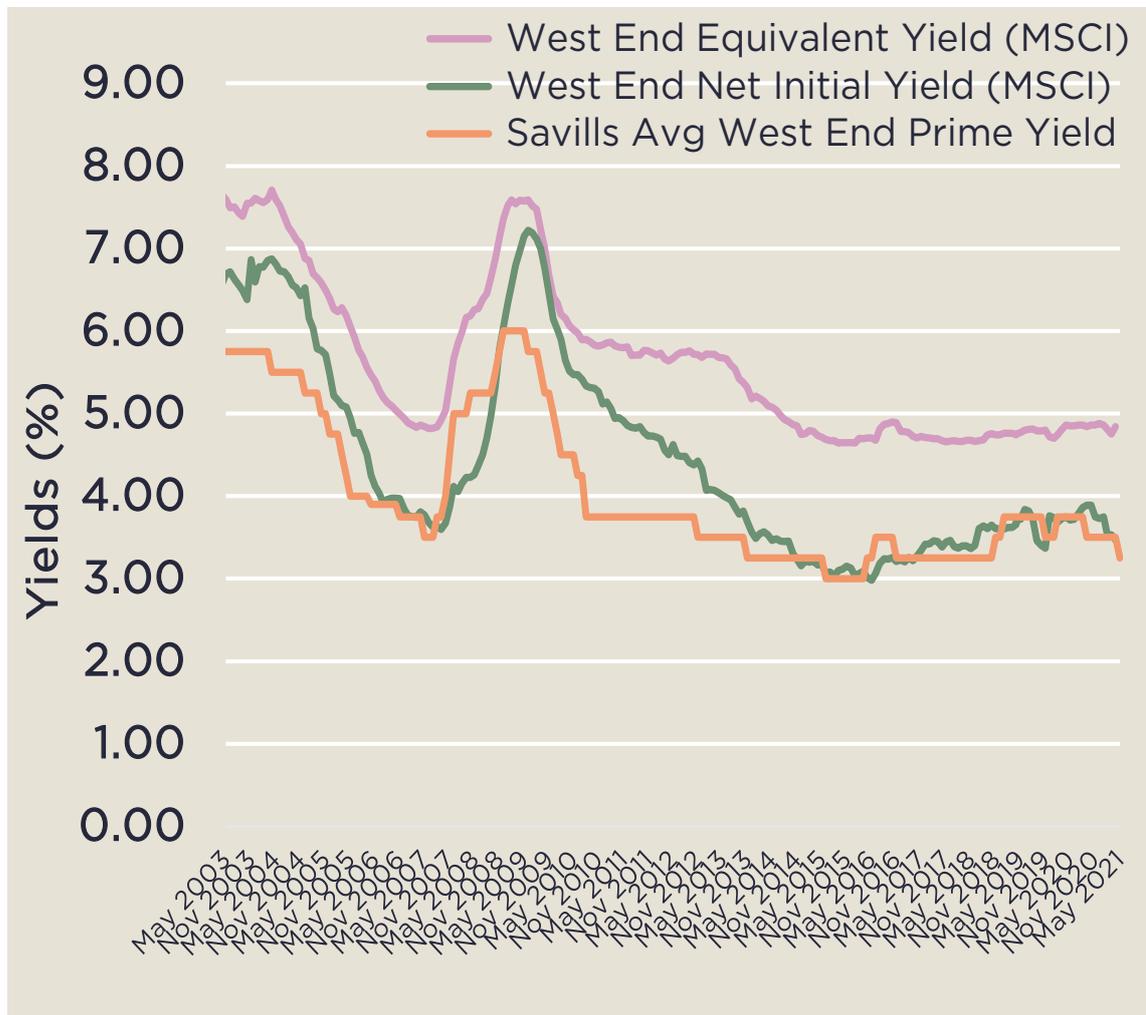
Q2 turnover up by 430% Y-o-Y

## Key deals in June 2021

Building Name	Address			Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
	No	Street	PC			FH/LH	U/x term	Gearing					
-	1	Embassy Gardens	SW8	Office	156,000	vFH	999	Pep	£177.50 M	4.50%	£1,138	Ballymore	Kennedy Wilson
hClub	24	Endell Street	WC2	Mixed Use	70,127 (GIA)	FH	-	-	£42.50 M	-	£606	Private UK	Patrizia
-	70	New Oxford Street	WC1	Mixed Use	24,876	FH	-	-	£34.90 M	4.04%	£1,403	Orchard Street	State Street
-	10	Hammersmith Broadway	W6	Office	7,433	FH	-	-	£10.60 M	3.83%	£1,423	AEW	Assura
-	63-66	St Martin's Lane	WC2	Leisure	6,728	FH	-	-	£10.30 M	4.39%	£1,523	CBREgi	Private European

### Graph 3

#### West End Yield graph



Source: Savills, MSCI

### 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

#### Victoria Bajela

Associate Director  
Research  
020 7409 5943  
victoria.bajela@savills.com

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