

# West End Investment Watch



## Turnover hits a new low albeit volume under offer grows

Over the past five years, investment volumes in May have averaged £531m, across 13 transactions. This year, in another stark illustration of COVID-19’s impact on market liquidity, we witnessed just one property transact, off-market, at a price of £11.5m.

This brings the running investment volume for the year to date to £1.17bn across 38 transactions – 59% below the previous five years’ annual average by volume, and 29% by the number of deals.

The transaction in question was Amsprop’s disposal of a long leasehold interest in Bennet House, 54 St James’s Street. The property comprises 3,591 sq ft of retail accommodation across lower ground and ground floors, and is occupied by the purchaser, Sharps Pixley.

The purchase price represented a capital value per sq ft of £3,200 and a notional net initial yield of 2.9% based on the purchaser’s previous rent.

Despite being the second consecutive month of record low turnover, May was also notable in terms of the emergence of a subtle yet positive shift in market dynamics, with investor enquiries increasing, off-market activity growing and several properties being placed under offer. Indeed of the estimated £1bn of assets believed to be under offer, some 36% materialised during May alone.

The most significant example of this was BA Pension Fund and Nuveen’s freehold interest in One New Oxford Street, which had been openly marketed in January for £181m, a price that reflected £1,656 per sq ft and a net initial yield of 4.00%.

The property, which is majority let to H&M and Twitch for a remaining 7.8 years, comprises 109,300 sq ft of mixed-use space at an average rent of £77 per sq ft.

Other office-led investments to be placed under offer during May included 25 Hanover Square, a 14,696 sq ft freehold interest where we understand terms have been agreed, off market, at over £40m; and 1 Old Queen Street, a 21,747 sq ft freehold interest with near term vacant possession, which was being openly marketed at £22.0m.

Whilst there exist tentative signs of market resilience, and indications that the West End will, as expected, benefit from the defensive ‘flight to quality’ mentality typically shown by investors in times of heightened uncertainty, there still remains a scarcity of actual data points to underwrite pricing.

As such, Savills West End yield remains at 3.75% but we continue to track the dynamics of ongoing transactions closely, especially those which are due to exchange in June.

Additional ongoing or imminent areas of possible market influence include pending UK border controls, specifically quarantine provisions and the extent to which they may practically affect demand, and the upcoming Q2 rent collection date, in particular how it relates to lender versus borrower / landlord versus tenant discussions.

The IPD net initial and equivalent yields stand at 3.73% and 4.81% respectively.

**£1.2bn**

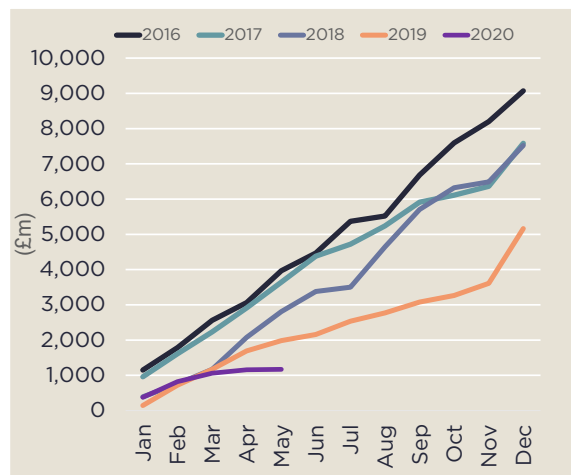
Annual investment volume of £1.2bn, 59% below previous five years’ average



Of the £1bn under offer, 36% materialised during May

### Monthly rolling turnover: 2015-2020

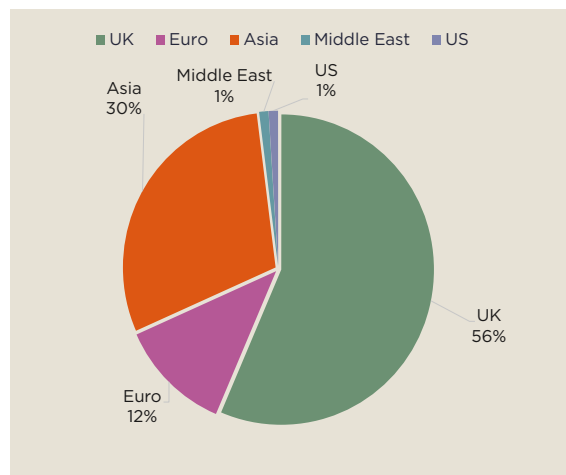
Graph 1



Source: Savills

### 2020 market share by purchaser region

Graph 2



**57%**

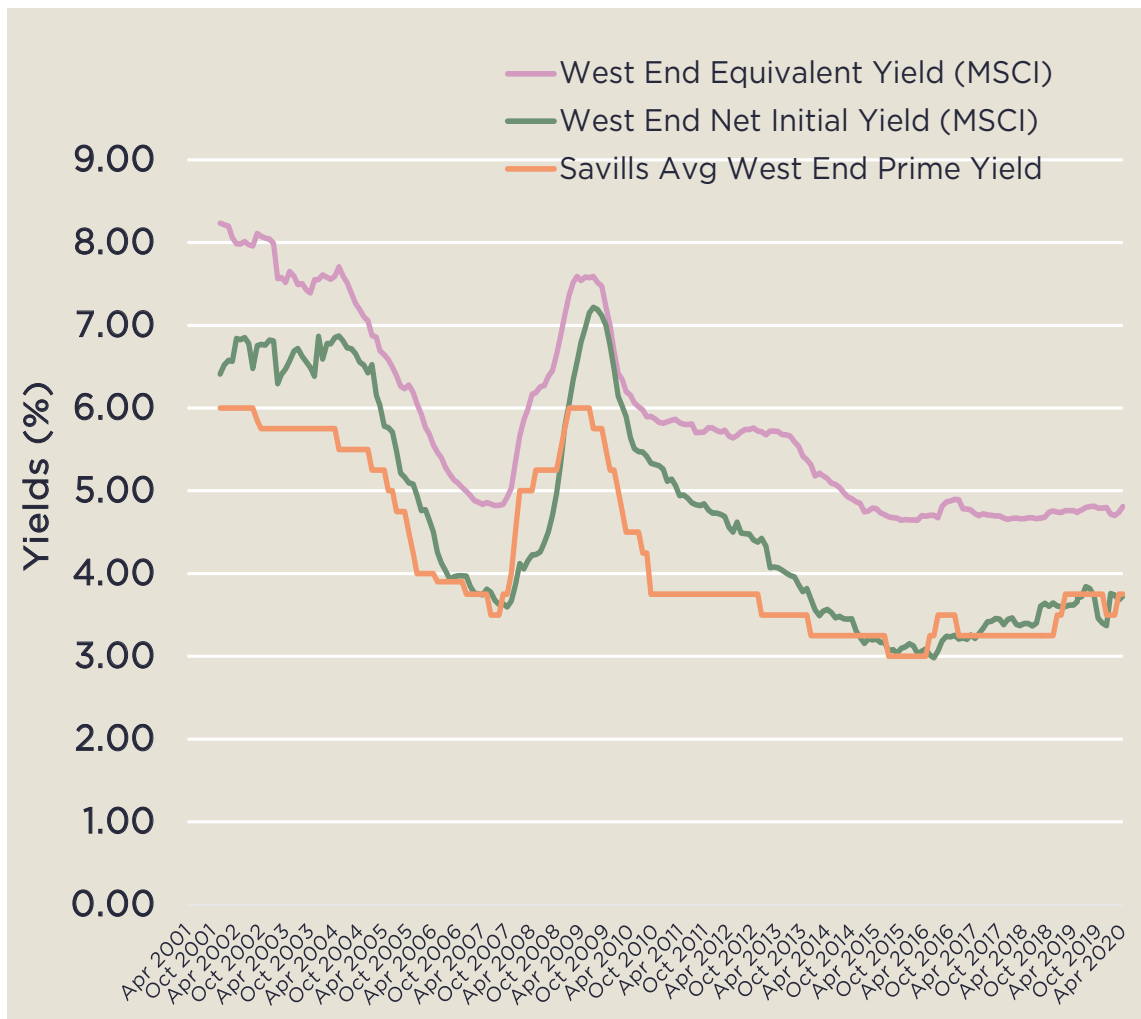
UK Purchasers account for 57% of annual transaction volume

## Key deals in May 2020

Address				Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
Bennet House	54	St James's Street	SW1	Retail	3,591	vFH	999 yr	-	£11.50 M	-	£3,200	Amsprop	Sharps Pixley

### Graph 3

#### West End Yield graph



Source: Savills, MSCI

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