

West End Investment Watch



Volume of stock under offer grows as West End braces for a busy summer

Investment volumes in May stood at £289m, spread across five transactions, which brings the cumulative annual turnover to £1.19bn. This is 53% down on the five year average (£2.51bn) but marginally ahead of this time last year and, on a monthly basis, reflects a sharp increase from May 2020 when just one deal transacted (£11.5m).

Whilst actual transaction volumes remain relatively muted, momentum can certainly be discerned via analysis of the quantum of stock under offer, which now stands at approximately £2.4bn and bodes well for a healthy Q3.

Key transactions to track within this category include Landsec's disposal of the Ministry of Justice's headquarters at 102 Petty France, SW1; Shun Tak's reported disposal of 8 St James's Square, SW1; Orchard Street's disposal of 1-5 Poland Street, W1; and Invesco's disposal of 40 Eastbourne Terrace, WC2. These four transactions alone represent over £850m of potential volume.

The largest transaction during May was the reported off-market transaction of the 103 year long leasehold interest in Stirling Square, 5-7 Carlton Gardens, SW1. The property, which occupies an island site, comprises 16,270 sq ft of residential accommodation sold off on long leases and 94,753 sq ft of office space which will be subject to a rolling refurbishment.

The other key transaction in May was Genting's disposal of its freehold interest in the Park Lane Mews Estate, which comprises 48,265 sq ft arranged across four buildings, with vacant possession achievable in the near term.

The site benefits from historic (2016) planning consent to develop a luxury hotel-led scheme incorporating ancillary casino and residential elements, which would increase the massing to c.60,000 sq ft.

Additional transactions reported include Arcadia Development's off-market disposal of its freehold interest in 14-16 Great Portland Street, W1, to Bacardi Limited, reportedly for its own occupation; Gulf Islamic Investment's disposal of 14-15 Carlisle Street, W1, to adjoining owner, Melford Capital, for £6.6m; and Trophaeum's disposal of the freehold interest in 32 Percy Street, W1, for £4m.

With the completion of sales and the market presented with robust evidence on both pricing and liquidity, it is inevitable that further sales will follow. We are therefore predicting a strong resurgence in both activity and mood, albeit the polarisation themes we have highlighted before will, for now at least, prevail.

Savills West End yield remains under strong downward pressure at 3.50% but we continue to track the dynamics of ongoing transactions and the market reception of recently launched assets - which amounted to over £450m last month - particularly closely.

As we move into June, key ongoing or imminent areas of possible market influence include the recent speculation around an extension to the moratorium on tenant evictions and the possible delay in the full removal of Lockdown restrictions, currently scheduled for 21 June.

We have also observed a notable increase in enquiries from overseas clients and investors, in anticipation of relatively near term easing of travel restrictions, so will closely monitor progress on this front.

3.50%

Prime West End yield of 3.5% under strong downward pressure



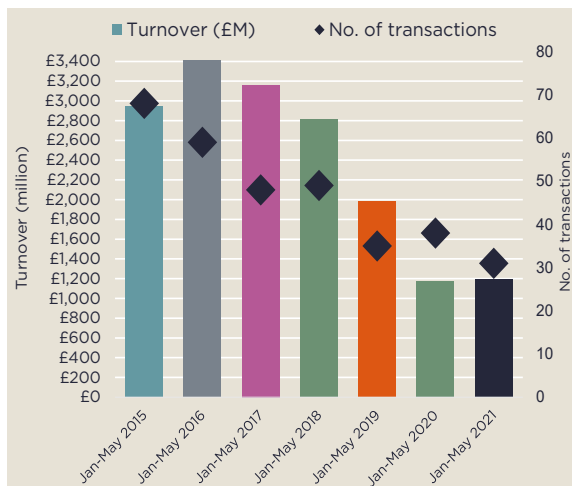
Fivefold increase in the number of transactions versus May 2020



Over £2.4bn under offer including four £100M+ transactions

Cumulative Annual Turnover (2015-2020)

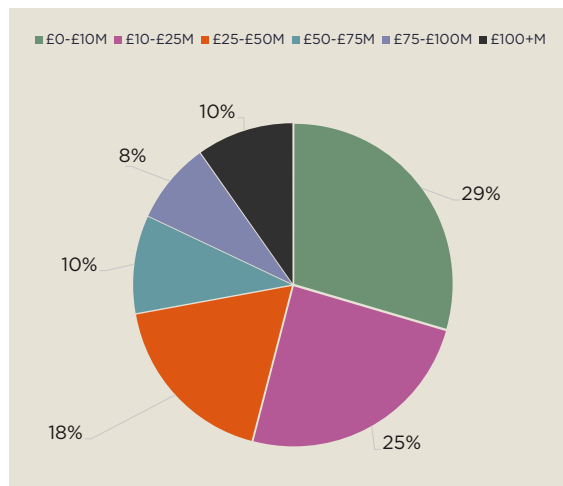
Graph 1



Source: Savills

Breakdown of Asset Values (Jan-Jun 2021)

Graph 2



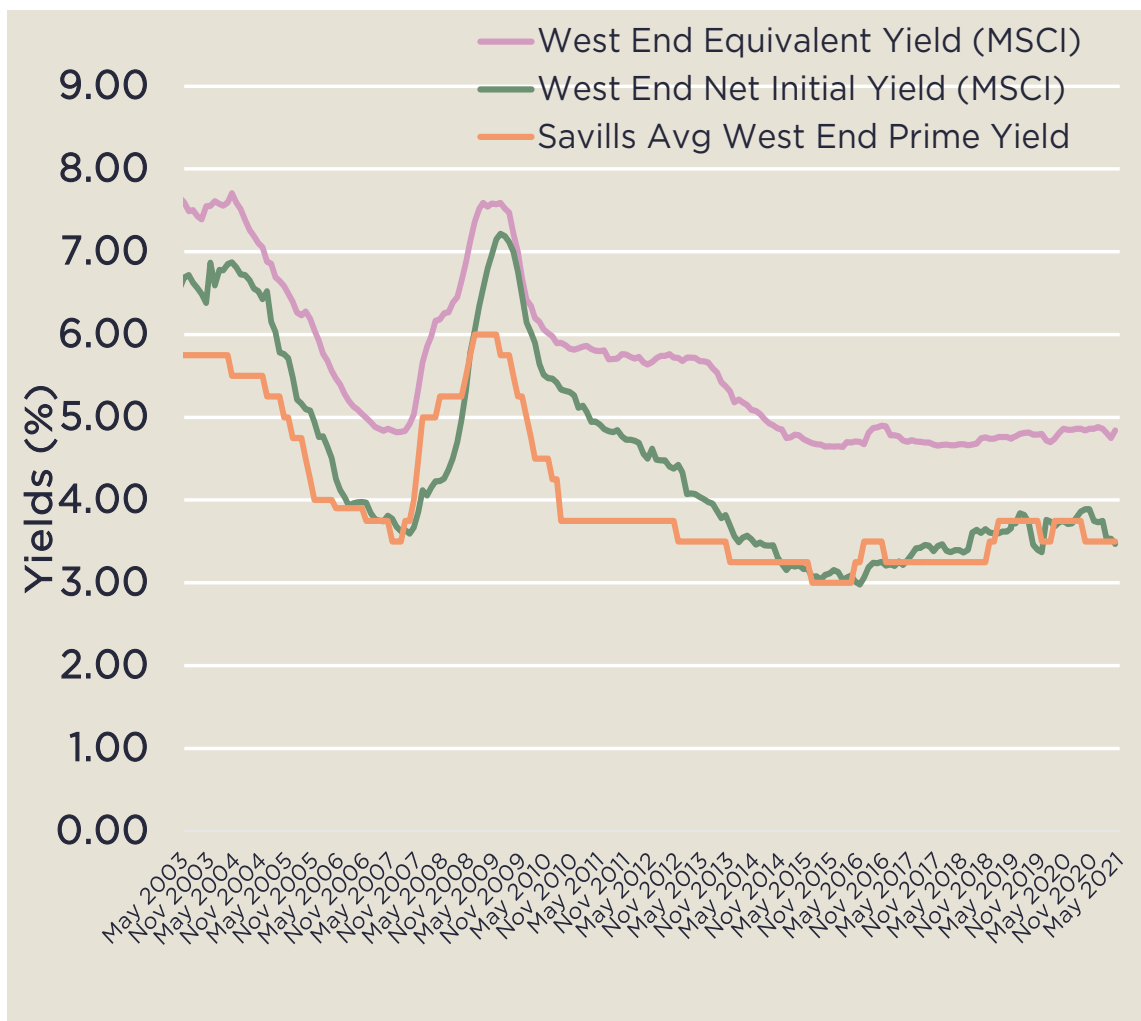
YTD Turnover 53% down on 5-Year Average

Key deals in May 2021

Address				Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
Stirling Square	5-7	Carlton Gardens	SW1	Office Resi.	94,753 16,270	LLH	103	7.5%	Confidential	-	-	WELPUT	Confidential
Park Lane Mews	-	16 Stanhope Row 36 & 37 Hertford Street 16 & 17 Market Mews	W1	Hotel Residential	48,265	FH	-	-	£87.5M	-	£1,813	Genting (UK) Ltd	Private Asian Investor
-	14-16	Great Portland Street	W1	Office Retail	26,930	FH	-	-	Confidential	-	-	Arcadia Developments	Bacardi Ltd
-	32	Percy Street	W1	Office	3,167	FH	-	-	£4M	-	£1,129	Private Italian	Owner Occupier
-	14-15	Carlisle Street	W1	Office	5,450	FH	-	-	£6.6M	-	£1,211	Gulf Islamic Investments	Melford Capital

Graph 3

West End Yield graph



Source: Savills, MSCI

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