

# West End Investment Watch



## Liquidity constraints force record low West End turnover

As expected, transactional activity during April was severely suppressed by a combination of coronavirus-related uncertainties and lockdown-related constraints.

The impact manifested itself more starkly than we had envisaged, however, with monthly turnover standing at a mere £83.3m across only three transactions. This brings year to date investment volume in the West End to £1.14bn; some 50% below the five years average and 32% down on last year.

The most significant transaction in April was Aprirose's off-market disposal of its freehold interest in 129 Marylebone Road for £48.5m, reflecting a price of £778 psf.

The 62,314 office building is soon-to-be vacant and presents a major repositioning opportunity, with feasibility studies indicating massing upside. Aprirose acquired it last year for a price understood to be in the region of £44.0m and had agreed terms for an onwards sale earlier this year at closer to £60m, before negotiations were aborted and the eventual purchaser, Angelo Gordon & Beltane, stepped-in.

The other key transaction in April, also off-market, was NFU's disposal of its freehold interest in Maple + Midford, 4-8 Maple Street, to a Private Spanish investor for a rumoured £32.4m (reflecting £1,586 psf). This reflects a net initial yield of 4.25% and a price very close to when it was last under offer. The property, which had first been marketed over one year ago before being withdrawn, is single let to a bio-tech tenant, Benevolent A1 Limited, until July 2028 at a rent of £72 psf, subject to a tenant-only break option in 2023.

With only two material transactions reaching exchange in the West End and only a further three in the City, pricing is clearly hard to establish. A lack of data points gives risk of misinterpretation and it is also important to analyse the progress and status of ongoing transactions in an attempt to gauge investor sentiment.

Of the 12 transactions (£658m) currently under offer, two stand out as key bellwethers; White City Place, where Cadillac Fairview are under offer for c.£250m, and the Oxford Street Estate, which a Joint Venture between Nomura / Lothbury placed under offer for c.£170m in February.

April also saw two transactions move to under offer status – both at strong pricing levels. These were Penguin Random House's sale and leaseback of its headquarters on Vauxhall Bridge Road, which was placed under offer for c.£70m within days of the previous purchaser withdrawing, and 8-9 Stratton Street, which is under offer to an owner occupier for in excess of its guide price of £33m, having attracted over ten rumoured proposals.

With layers of weak economic data thickening, and the prospect of a global recession increasing, investors and lenders are scrutinising the occupational credentials of buildings with heightened focus when evaluating properties. The West End's low occupational vacancy rate, scarce development pipeline and diverse tenant base provide it with a degree of insulation in this regard, but it would not be immune to major demand contraction and we are tracking occupational dynamics particularly closely, especially tenant-release space.

Notwithstanding existing and potential headwinds, evidence of a pricing shift in the investment market has yet to materialise and the West End remains well-placed to benefit from restrained supply, consistent with both long term owners and further market uncertainty.

As such, Savills West End yield remains at 3.75% for now, albeit we continue to monitor the dynamics of ongoing transactions closely, as well as any potential sign of distress, downward rental pressure and buyer behaviour.



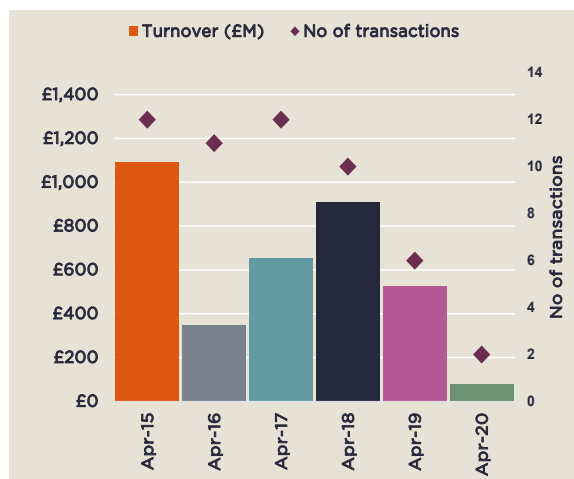
April turnover of £83.3m across three transactions



Annual investment volume down 32% year-on-year

### April Turnover: 2015-2020

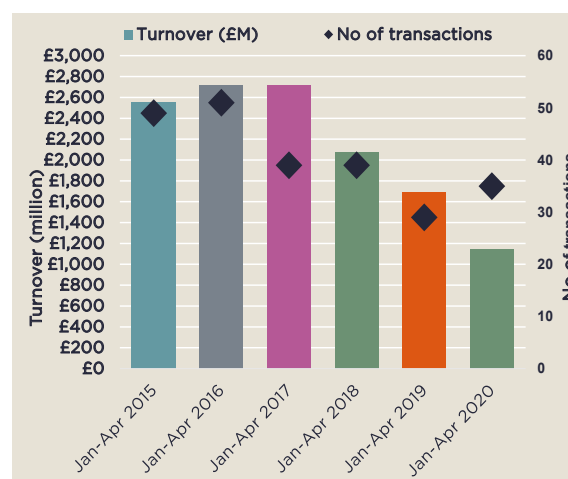
Graph 1



Source: Savills

### Cumulative Annual Turnover 2015-2020

Graph 2



**£658m**

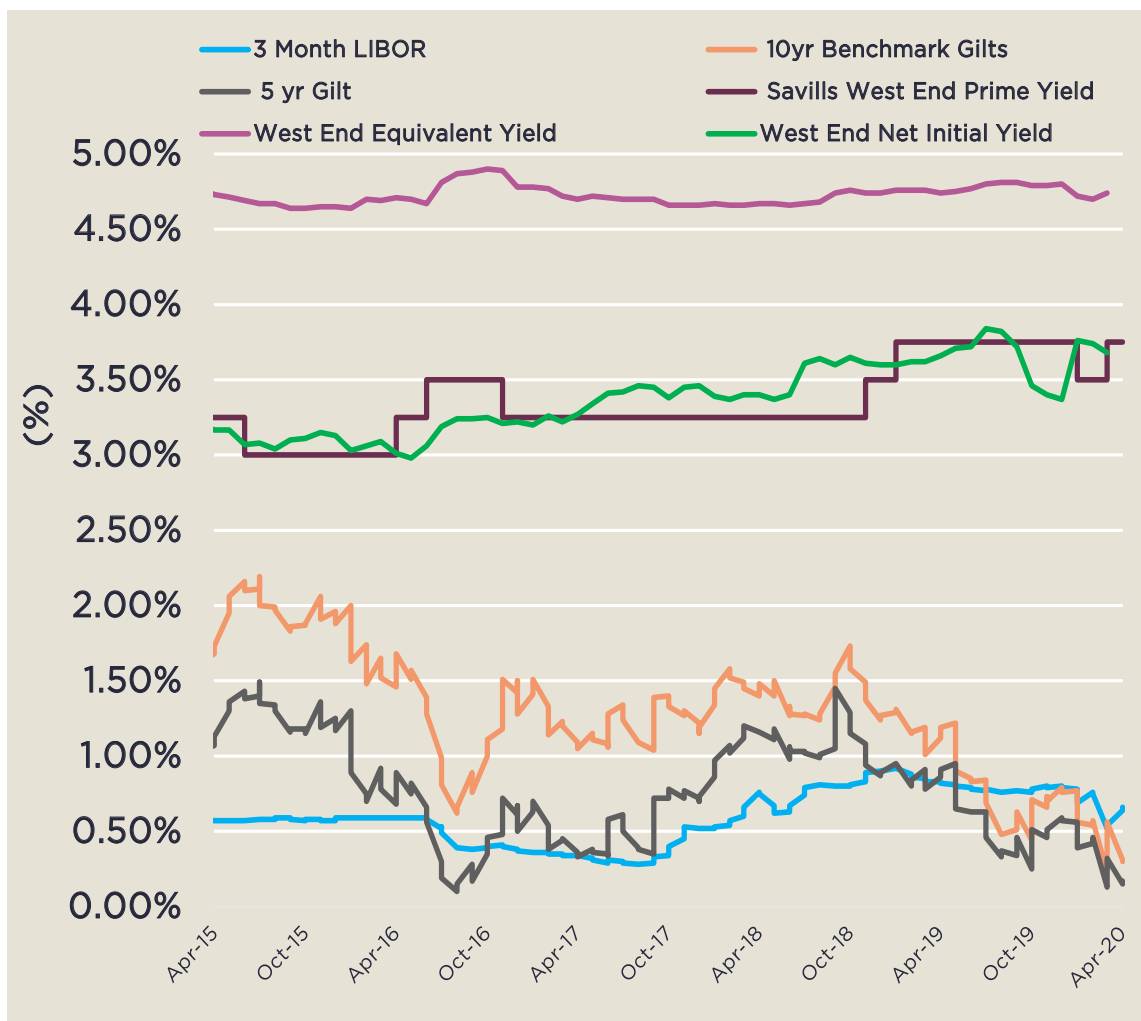
currently under offer across 12 transactions

## Key deals in April 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					
Marylebone House	129	Marylebone Road	W1	Office	62,314	FH	-	-	£48.50 M	-	£778	Aprirose	Angelo Gordon Beltane
Maple + Midford	4-8	Maple Street	W1	Office	20,417	FH	-	-	£32.40 M	4.25%	£1,586	NFU	Private Spanish

Graph 3

### Comparative Cost of Money Graph



Source: Savills, MSCI

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