

West End Investment Watch

savills

April activity illustrative of growing confidence as lockdown eases

April heralded a return to the office for a relatively minor - yet equally significant - portion of the workforce. This, combined with a general easing of lockdown and continued roll-out of the vaccine, has undoubtedly manifested itself in increasingly positive market sentiment.

West End turnover totalled £210m across five transactions and in a continuation of a trend seen in previous months, all five of these were off-market, bringing year-to-date volume to £911m across 25 transactions.

This is 17% below the equivalent period last year, and some 55% below the five-year average. Notwithstanding this, with over £1bn under offer and several significant sales set to launch, we can expect the delta between this year's volumes and the five-year average to continually narrow over the course of the traditionally-quieter summer.

The largest transaction during April was Tokoro Capital's off-market acquisition of a Private Investors's freehold interest in 35 Dover Street & 15 Berkeley Street, W1, for £86m, which reflects a capital value of £2,309 per sq ft.

The property, which comprises two separate buildings interlinked at basement level only, is multi-let to office and retail tenants including retailers Christian Louboutin, Jimmy Choo and Il Borro. The majority of the offices are either held vacant or held on short term leases and a repositioning is envisaged.

The other key transaction was Boohoo's acquisition of the freehold interest in 10 Great Pulteney Street, W1, from Sinarmas Land for £72m. This reflected a 3.98% net initial yield and a capital value of £1,530 per sq ft, albeit we understand the tenant, Creston Plc, has agreed to surrender its lease to enable owner occupation by the purchaser.

In another off-market transaction, Amsprop has sold its freehold interest in 44-45 Great Marlborough Street, W1, to Royal London Asset Management for a reported £30.5m, which reflects a capital value per sq ft of £1,589.

Acting on behalf of an overseas investor, Savills has acquired the freehold interest in Dacre House, SW1, from a client of Floreat Real Estate. The property, which occupies a prominent corner position close to St James's Park, comprises 17,960 sq ft of mixed-use accommodation and benefits from rare planning consent to increase massing by 37%.

The purchaser has implemented the consent immediately and will deliver a best-in-class, mixed-use scheme that will capitalise on the micro-location's ongoing regeneration and scarcity of sub-5,000 sq ft Grade A floorplates.

The final transaction to mention during April was the off-market acquisition of 50 Frith Street, W1, by a Private UK investor advised by Savills. The property comprises 3,744 sq ft and it multi-let to three tenants across ground and four upper floors.

As we move into May and liquidity continues to increase, we expect to see hitherto forecast trends such as the 'flight to quality' increasingly manifested in actual evidence, with a number of prime transactions having recently been placed under offer following notably short marketing periods.

Savills prime yield remains at 3.50% but on the basis of emerging evidence is under increasing downward pressure. The MSCI net initial and equivalent yield stand at 3.53% and 4.81% respectively.

3.50%

Prime West End yield of 3.5% under downward pressure



All five transactions off-market



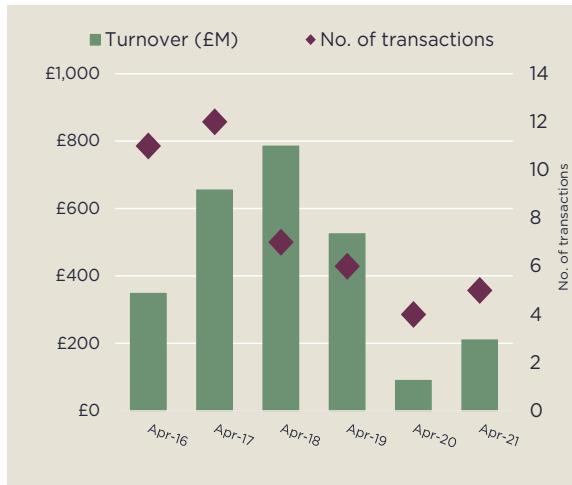
Only 1 West End transaction over £100m in 2021



Over £1bn under offer

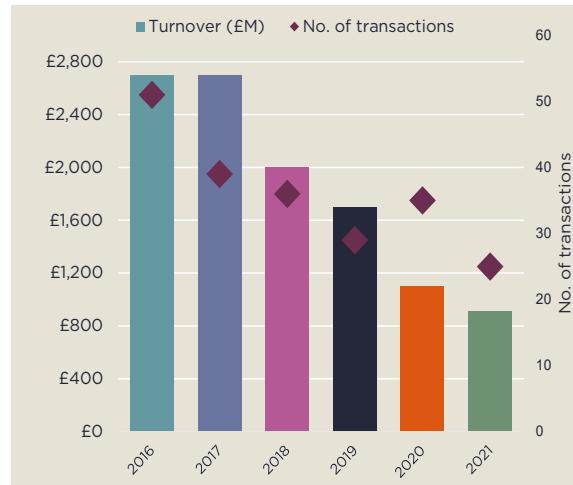
April Turnover (2016-2021)

Graph 1



YTD Investment Turnover (2016-2021)

Graph 2



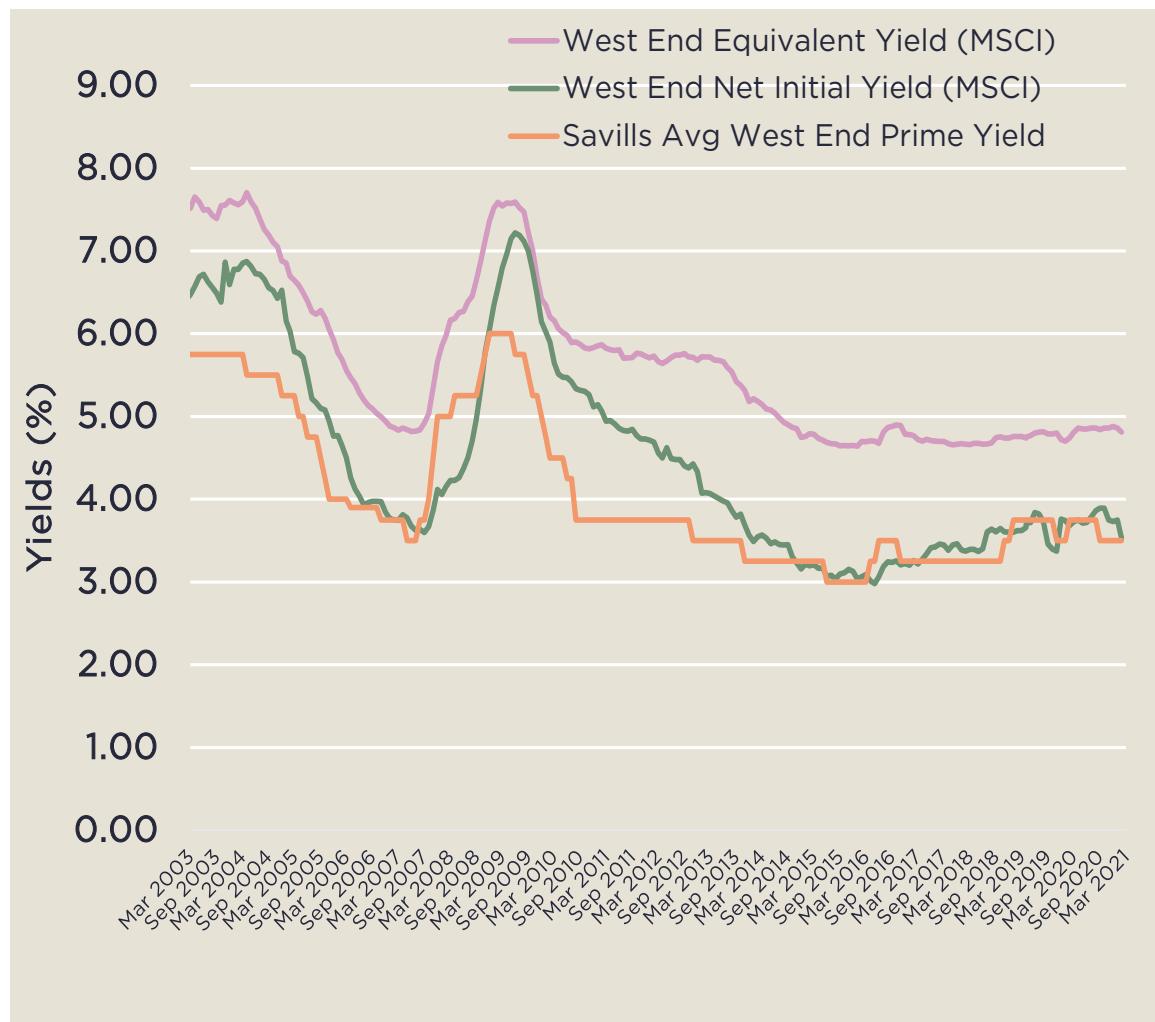
YTD Turnover 55% down on 5-Year Average

Key deals in April 2021

Building Name	No	Address		Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
		Street	PC			FH/LH	U/x term	Gearing					
-	35 15	Dover Street Berkeley Street	W1	Retail Office	37,250	FH	-	-	£86.0M	N/A	£2,309	Private Investor	Tokoro Capital
-	10	Great Pulteney Street	W1	Office	47,044	FH	-	-	£72.0M	3.98%	£1,530	Sinarmas Land	Boohoo
-	44-45	Great Marlborough Street	W1	Retail Office	19,195	FH	-	-	£30.5M	N/A	£1,589	Amsprop	Royal London
Dacre House	17-19	Dacre Street	SW1	Retail Office	17,960	FH	-	-	Conf.	-	-	Floreat Real Estate	Confidential Overseas
-	50	Frith Street	W1	Retail Office	3,744	FH	-	-	£5.3M	4.01%	£1,402	Shaftesbury Plc	Private UK

Graph 3

West End Yield graph



Source: Savills, MSCI

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