

# West End Investment Watch



## Momentum continues through the summer, buoyed by a number of sub-£20m transactions

August has witnessed £219m of turnover across eight transactions, bringing turnover this year to the end of August to £2.5bn with 52 transactions. In keeping with the year's trend, this represents a 49% reduction on the five-year average turnover across this period. In terms of deal number, August has proved to be one of this year's busier months predominantly made up of a flurry of smaller transactions, with six asset sales, each under £20m. This is tellingly reflective of where the greatest liquidity lies.

The Crown Estate continues to invest heavily within its St James's heartland with the acquisition of the 106-year leasehold interest in 16 St James's Street from Legal & General, the freehold of which was already under their ownership. The property provides circa 54,100 sq ft of multi-let office, leisure and residential accommodation with the exception of two vacant office floors. The Crown Estate is understood to have paid £77.50m, reflecting a net initial yield of 4.55% and a capital value of £1,433 per sq ft. This acquisition makes the Crown Estate the largest investor in the West End this year to date by both volume and deal number, surpassing Motcomb Estates.

After recording two quiet months in terms of buying activity by Hong Kong investors, our records show two, albeit relatively small, transactions completing in August. 21-22 Poland Street has been sold by a fund managed by DTZ Investors. The Soho office and retail property totals 8,651 sq ft and is multi-let to five office tenants, including Pepsico International Limited and Madison Sports Group, off an average rent reflecting £85.85 per sq ft and the bar is leased to Brewdog for a further 14.7 years. DTZ Investors acquired the property in 2015 for £12m when the office element was vacant. Following a refurbishment and leasing campaign the property sold for just shy of the quote, achieving £14.38m, reflecting a

net initial yield of 4.17% and a capital value of £1,662 per sq ft.

On behalf of a private UK investor, Savills has sold the freehold interest in 56-70 Kenway Road, an unbroken parade of period buildings providing eight retail units and 20 residential units. The property is multi-let at a topped-up passing rent of £594,099.92 per annum. The asset attracted significant and varied investor interest, given its rarity factor being an attractive block which has been resistant to vacancy and has not traded for over a century. The property sold for significantly in excess of the quote of £12m, reflecting a 4.64% net initial yield.

The return of transactions by Asian investors and the ever-weakening pound Pound is far from a coincidence and will inevitably form a key part of interest in sales and activity as we approach Q4. In part this may be tempered by heightened political risk as both a 'no deal' and election loom, but there remains buoyant interest and a mountain of money seeking good quality re-lettable assets at sensible prices.

The MSCI average net initial yield stands at 3.84% and the equivalent yield at 4.80%. Savills prime yield remains at 3.75% (see graph 3).



Domestic buyers account for 59% of investment by volume

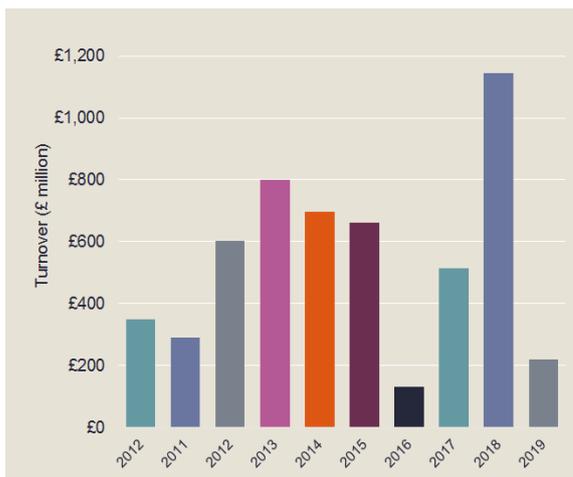


Top investor in the West End in 2019 so far by deal number and volume



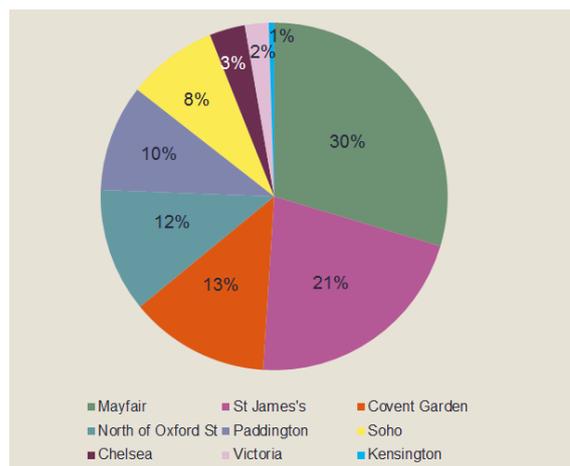
Over £2bn of assets under offer

**Graph 1**  
August Investment Volumes 2012 - 2019



Source: Savills

**Graph 2**  
Turnover by sub-market YTD



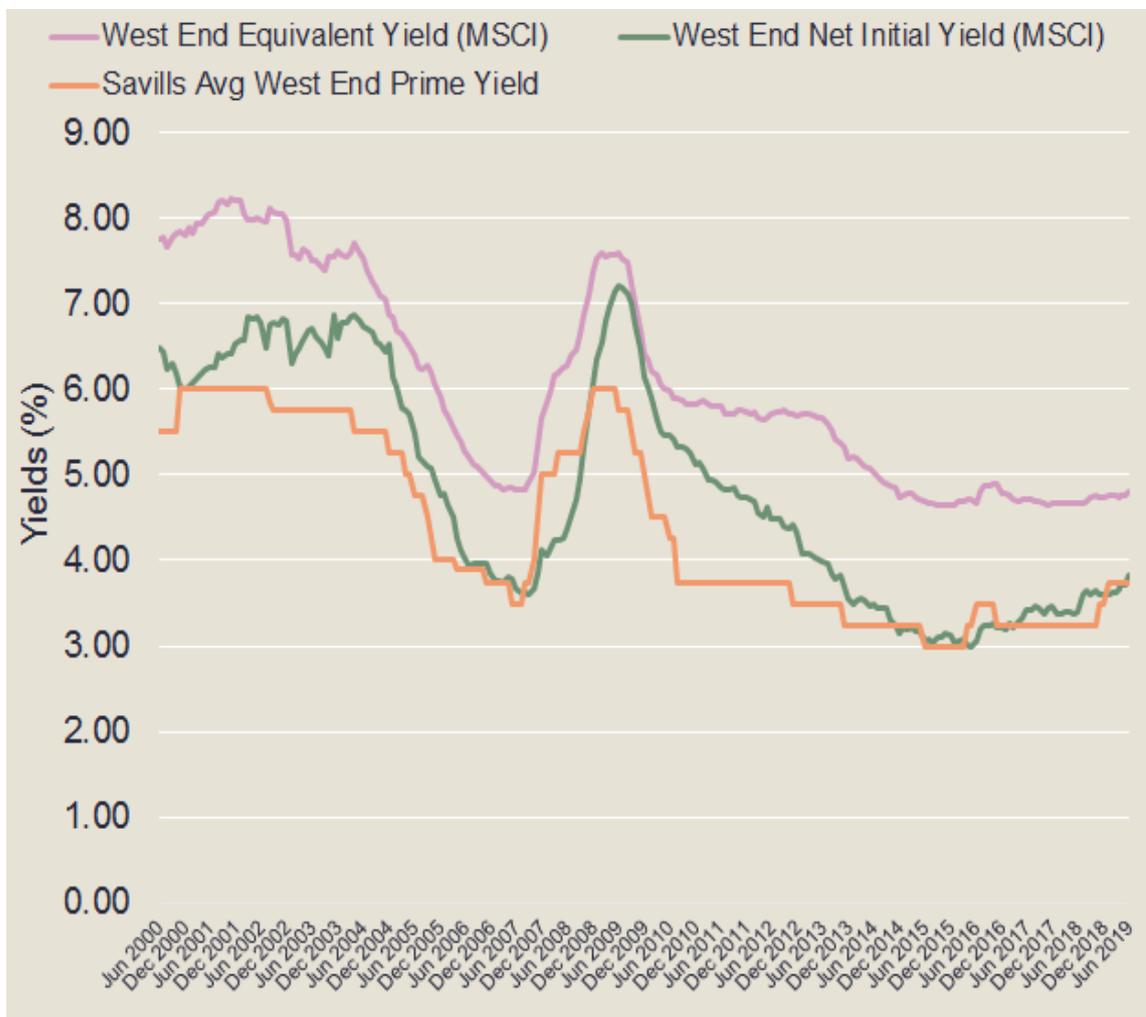
Sterling weakened against the USD and HKD through August

## Key deals in August 2019

Address				Sector	Area sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
	16	St James's Street	SW1	Office Gallery Resi	54,100	LH	106	10%	£77.50 M	4.55%	£1,433	Legal & General	The Crown Estate
	94-96 7-9	Wigmore Street Duke's Mews	W1	Retail Office	11,796	FH	-	-	£17.40 M	-	£1,475	Aviva Investors	Owner Occupier
	21-22	Poland Street	W1	Retail Office	8,651	FH	-	-	£14.38 M	4.17%	£1,662	DTZ Investors	Private Hong Kong
	56-70	Kenway Road	SW5	Retail Resi	22,580	FH	-	-	Q.£12.00 M	Q. 4.64%	Q. £531	Private UK	Private Investor

### Graph 3

#### West End Yield graph



Source: Savills, MSCI

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