West End Investment Watch
H1 transaction volume record smashed by 20%

July 2015

Market comment and notable deals

- June saw volumes of £899m over 18 transactions pushing turnover to £3.85bn, a record H1 total which was 22% up from last year’s previous best, as seen in Graph 1.

- In the largest deal of the month and third largest of the year to date, Savills has sold the Notting Hill Gate Estate on behalf of Pears Group and LaSalle Investment Management. The freehold estate comprises retail, office, leisure and residential accommodation and is arranged over 3.11 acres. The JPUT was sold to Frogmore with a view to repositioning and refocusing the estate for a price of circa £219m.

- Ahli United Bank has sold the long leasehold interest in 11 Baker Street. The property comprises office and retail accommodation with the offices single let to PIMCO Europe Limited until 2026 with a tenant break in 2021. The property was acquired by JVG for £93m, reflecting a net initial yield of 3.71% and a capital value of £1,327 per sq ft.

- Meadow Partners has purchased 10-18 Victoria Street for £76m, reflecting a net initial yield of 3.73% and a capital value of £931 per sq ft. The freehold interest totals 81,600 sq ft of office accommodation and is single let to the Government until February 2026 off an average rent of £36.77 per sq ft. The property has rent reviews in 2016 and 2021.

- In a continuing theme this year, demand for prime retail investment grows ever stronger. In the seventh and eighth Oxford Street transactions this year respectively, 388 Oxford Street was sold for £30m reflecting a net initial yield of 2.13%, and 145 Oxford Street was sold off market to Thor Equities for £31.5m, reflecting a net initial yield of 2.63%. Both these transactions represented an equivalent yield of sub 3%.

- The record turnover volume over H1 2015 was driven by a number of larger transactions, illustrated by the record number of properties traded over £100m by both volume and number over this period, as seen in Graph 2. This clearly reflects significantly greater liquidity for larger assets and a more active debt market. The transaction volume of properties sold over £100m was 95% up on H1 2014.

- Savills prime hypothetical West End yield remains at 3.00%, as seen in Graph 3.

- Savills has been involved in 23% of all West End transactions during H1 and 50% of transactions over £200m. We expect stock to be restricted over the summer months but with a range of opportunities presenting themselves in the Autumn.
TABLE 1

Key deals in June 2015

<table>
<thead>
<tr>
<th>Address</th>
<th>Sector</th>
<th>Area Sq ft</th>
<th>Tenure</th>
<th>Price</th>
<th>Yield</th>
<th>CV/sq ft</th>
<th>Vendor</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>House</td>
<td>No</td>
<td>Street</td>
<td>PC</td>
<td>FH/ LH</td>
<td>U/x</td>
<td>Gearing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notting</td>
<td>32-144</td>
<td>Notting Hill Gate</td>
<td>W11</td>
<td></td>
<td>171,673</td>
<td>(3.11 acres)</td>
<td>£219 M 3.03%</td>
<td>Pears Group &amp; La Salle Investment Management</td>
</tr>
<tr>
<td>Hill</td>
<td>47-69</td>
<td>Gate</td>
<td></td>
<td>FH</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estate</td>
<td>15-35</td>
<td>Notting Hill Gate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>146-166</td>
<td>Notting Hill Gate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kings</td>
<td>11</td>
<td>Baker Street</td>
<td>W1</td>
<td>Office</td>
<td>396,980</td>
<td>FH</td>
<td>£153,00 M 4.25%</td>
<td>Maitland Pollos Partnership</td>
</tr>
<tr>
<td>Mall</td>
<td>10-18</td>
<td>Victoria Street</td>
<td>SW1</td>
<td>Office</td>
<td>81,597</td>
<td>FH</td>
<td>£76,00 M 3.73%</td>
<td>Oregan Financial</td>
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<tr>
<td></td>
<td>176-206</td>
<td>Kensington High Street</td>
<td>W8</td>
<td>Retail</td>
<td>57,171</td>
<td>FH</td>
<td>£67,50 M 4.19%</td>
<td>Standard Life</td>
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<tr>
<td></td>
<td>18-21</td>
<td>Haymarket</td>
<td>SW1</td>
<td>Office</td>
<td>25,801</td>
<td>FH</td>
<td>£65,00 M 3.27%</td>
<td>Amprop</td>
</tr>
<tr>
<td>Imperial House</td>
<td>15-19</td>
<td>Kingsway</td>
<td>WC2</td>
<td>Office</td>
<td>43,663</td>
<td>FH</td>
<td>£39,85 M 4.18%</td>
<td>Church Commissioners</td>
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<tr>
<td></td>
<td>368</td>
<td>Oxford Street</td>
<td>W1</td>
<td>Retail</td>
<td>5,993</td>
<td>FH</td>
<td>£36,00 M 2.13%</td>
<td>Private Indian Investor</td>
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<tr>
<td></td>
<td>145</td>
<td>Oxford Street</td>
<td>W1</td>
<td>Office</td>
<td>8,457</td>
<td>FH</td>
<td>£31,50 M 2.63%</td>
<td>Private Malaysian Thor Equities</td>
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<td></td>
<td>14-16</td>
<td>Peterborough Road</td>
<td>SW6</td>
<td>Office</td>
<td>25,436</td>
<td>FH</td>
<td>£16,23 M 2.65%</td>
<td>Thackeray Estates</td>
</tr>
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<td></td>
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<td>Peterborough Mews</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cambridge House</td>
<td>373-375</td>
<td>Euston Road</td>
<td>NW1</td>
<td>Office</td>
<td>12,289</td>
<td>FH</td>
<td>£15,50 M n/a</td>
<td>English Rose</td>
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<tr>
<td></td>
<td>26</td>
<td>Fitzroy Square</td>
<td>W1</td>
<td>Office</td>
<td>4,766</td>
<td>FH</td>
<td>£5,50 M n/a</td>
<td>Private UK Investor</td>
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<tr>
<td></td>
<td>4</td>
<td>Great Marlborough Street</td>
<td>W1</td>
<td>Office</td>
<td>3,612</td>
<td>FH</td>
<td>£4,14 M 2.97%</td>
<td>Great Marlborough Estates</td>
</tr>
</tbody>
</table>

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