

## Victoria Investment Report 2008

The Victoria Investment Market has outstripped last years turnover again with in excess of £1.7 billion worth of property being traded. The Credit Crunch has clearly affected the profile of buyers with overseas individuals becoming more evident as the year progressed. Funds generally withdrew from the market and property companies were frustrated at the lack of available borrowing from the cautious lending banks.

Rental growth in Victoria has finally showed signs of slowing. Take-up remained good however, with limited supply of new or refurbished space. Tenants from a wide variety of sectors continued to be attracted to the area with financial, media groups and IT joining the tradition of oil companies, governments, quangos and solicitors. A record of £82.50 per sq ft was paid by Google at Belgrave House, Burberry signed at Horseferry House as their headquarters. Daniel Edelman, the American media group, took 32,000 sq ft at Southside on a single floor.

### DEVELOPMENT

The biggest shock of the year was Land Securities' Victoria Transport Interchange being refused planning. The 2.9 million sq ft scheme was poorly received by the planning committee and the regeneration of the location is now, once again, in doubt. It is a pity as the development of Cardinal Place has been such a success. Subsequent schemes such as Asticus and the comprehensive refurbishments of both 14 Tothill Street and Southside have benefited from the increased retail amenity it has brought to the area.

Current redevelopments at 129 Wilton Road and 1 Wilton Road are unlikely to enjoy such a buoyant rental market as has been seen in the last two years but with lack of supply, limited development in the area should assure good interest nonetheless.

The developers of 129 Wilton Road, Terrace Hill, also purchased 1 Howick Place with Doughty Hanson. House of Fraser remains on a short term lease pending planning for a new commercial scheme. 32 Smith Square was purchased by Harcourt Developments and is likely to become the new home for the European Parliament subject to a comprehensive refurbishment. 46-48 Grosvenor Gardens is currently undergoing refurbishment to provide 16,000 sq ft of Grade A space. Stockley House on Wilton Road was sold to Hammerson who are likely to redevelop in the medium term as part of their larger scheme at Victoria Station itself.

1 Vincent Square was pre-let during the comprehensive refurbishment. 64/65 Vincent Square was also let a few weeks post completion and 4 Victoria Street is now pending refurbishment to provide a grade A 120,000 sq ft scheme.

The market for conversion of commercial buildings to residential was less active during the year with only smaller period style buildings proving viable reflecting the equalisation of values between residential and commercial uses, as well as the preference for open plan business space.

## Vacant Sales

	Address	Purchaser	Vendor	Price
46-48	Grosvenor Gardens	Medicci	Dawney Day	£10,250,000
112	Marsham Street	Residential	Artesian	£4,500,000
11	Old Queen Street	Residential	Hill Martin	£2,350,000
23	Palace Street	Residential	Derwent London	£1,100,000
27	Wilfred Street	Residential	MH Pension Fund	-

## LEASING

Good covenants continued to be attracted to the location and the leasing market proved to be quite robust with minimal supply resulting in some impressive rents. Asticus, Cardinal Place and Belgrave House have achieved the highest figures with £82.50 per sq ft being paid by Google at Belgrave house being the most notable.

The current gulf between high demand and low supply of quality space in the medium term is likely to continue this trend notwithstanding the difficulties in the economy.

## Leasing deals

Address	Tenant	Size	Rent (psf)
Belgrave House, Buckingham Palace Road	Google	10,300	£82.50
14 Tothill Street	House of Lords	60,000	£62.00
Asticus, Palmer Street	Texaco	19,000	£60
Cardinal Place, Victoria Street	Ruffer	18,000	£70
Southside, Victoria Street	NHS	32,000	£52.50

## INVESTMENT

The volume of transactions rose substantially again to almost £2billion from £1.2billion last year, the profile of the buyers were very different however. Half of all purchasers in 2006 were funds. This year only 15% were funds with the remainder being property companies, private individuals or syndicates. Asticus was sold to SWIP having achieved impressive rental figures to several high profile covenants including Texaco. Legal & General surprised the market somewhat by purchasing 35 Great Smith Street towards the end of the year when other funds were selling. Irish syndicated investors were also in evidence, again, purchasing larger lots at Great Minster on Horseferry Road, 10-18 Victoria Street and Victoria Place.

## Investment Sales

		Address	Buyer	Vendor	Price
Victoria Central	111	Buckingham Palace Road	Pacific Group Plc	Telegraph Group Ltd	£218,000,000
	1	Victoria Street	D2	Legal and General	£180,000,000
	123	Buckingham Palace Road	Westbrook	PA Consulting	£170,000,000
Great Minster		Horseferry Road	Gratton	Lioncourt	£115,000,000
Victoria Place		Buckingham Palace Road	William Ewart	Metro	£92,500,000
	1a	Page Street	GE	Ballymore	£80,800,000
Asticus	21	Palmer Street	SWIP	Asticus	£73,300,000
Stockley House	130	Wilton Road	Hammerson	Private Overseas	£71,400,000
	10-18	Victoria Street	Oregan Financial	SWIP	£70,000,000
	39	Victoria Street	Norwich Property Trust Ltd	Pfa Pension	£60,000,000
		Howick Place	Terrace Hill	House Of Fraser	£60,000,000
	1	Bessborough Gardens	Charles Street Buildings (Leicester) Ltd	Merchant Place Corporate Finance Ltd	£43,000,000
		Millbank Centre	Motcomb Estates	Crown	£37,000,000
	32	Smith Square	Harcourt	Conservative Party	£30,500,000
	35	Great Smith Street	Legal & General Group Plc	AIB	£23,800,000
Cromwell House	2	Dean Stanley Street	Candy And Candy	Credis Immobilien-Fonds	£23,000,000
	6-9	Buckingham Gate	Brockton	Crown	£16,900,000
	2	Bessborough Gardens	Lithuania	Melford	£10,250,000
	35	Great Peter Street	CIT	USPG	£9,500,000
	45	Great Peter Street	Melford	Chainbow	£6,600,000
	4-5	Buckingham Gate	Brockton	Crown	£5,000,000
Radstock House	5	Eccleston Street	Grosvenor	UK PropCo	£4,872,000
Parksteel House	22	Buckingham Gate	Legal & General Group Plc	Standard Life Investments Ltd	£4,800,000
University House	11-13	Lower Grosvenor Place	Motcomb Estates	Prudential	£4,575,000
	9	Dartmouth Street	UK Private	UK Private	£3,500,000
	17	Buckingham Gate,	Grange	Church In Wales	£3,000,000
	7	Storeys Gate	English Rose	Cygnet	£2,025,000
	77	Great Peter Street	Bible Society	Whitehall Leisure	£1,400,000
	42-44	Grosvenor Gardens	Medici	Prudential	
	16/18	Strutton Ground	Alchemi	Safeland	

## On the market

		Address	Owner
	20	Vauxhall Bridge Road	Random House
	50	Broadway	NPI
	11/12	Dacre Street	McKay
Warwick House	25	Buckingham Palace Road	Morley
Partnership House	1	Carlisle Place	Overseas Fund
	26	Chapter Street	ADCP Ltd
	43	Palace Street	Invista
	58/60	Petty France	Pelham
	14	Tothill Street	Gracemark
	4/5	Hobart Place	Grosvenor

## SUMMARY

The Credit Crunch has changed the investment environment with funds withdrawing from the market and property companies finding banks unwilling to lend. The untenable situation of increasing interest rates and yield compression driven by excessive demand could not be justified by projections of rental growth alone and the UK investment market as a whole is facing a very turbulent year ahead.

However, Victoria will continue to attract quality tenants and does not suffer from an excessive pipeline of supply as the City has, for example.

Whilst rents have increased in the area it remains at a discount from the West End and therefore represents a more cost-effective solution for tenants. Finally, and crucially, transport links are good compared to many fringe locations and this will underpin its ongoing performance during the uncertain times ahead.

## MANAGEMENT TEAM:

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Please do not hesitate to contact the relevant person should you wish to discuss any aspect of your commercial property on 0207 222 551 or see our website at [www.tuckerman.co.uk](http://www.tuckerman.co.uk).