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BUSINESS

Investors Rush Into London's Retail Property Market

● Private sector investment in the West End is set to reach 1.7 billion pounds in 2020 due to Brexit certainty and political clarity.

BY SAMANTHA CONTI

LONDON — Like him or loathe him, Prime Minister Boris Johnson has been doing wonders — so far — for central London's commercial property market, which has been heating up since the U.K. general election late last year.

According to a report set to be released Tuesday by New West End Company, private sector investment in West End commercial property is set to reach more than 1.7 billion pounds in 2020, despite the short-term impact of the coronavirus.

The year is already off to a strong start: Property transactions across the West End rose 62 percent year-on-year to 350 million pounds from November 2019 to February 2020, according to New West End, which represents 600 British and international retailers, business and property owners operating in and around Oxford, Bond and Regent Streets.

U.S. investments more than tripled to 130 million pounds in 2019, while Hong Kong and Chinese investors alone accounted for nearly 40 percent of total transactions last year.

The report attributed the latest rush on property to the U.K.'s exit from the European Union on Jan. 31, and a "decisive" general election in December. The lobby group said both events played a "significant" role in attracting international investment into London's West End.

Burberry at Selfridges' Corner Shop.

In an interview, Jace Tyrrell, chief executive officer of New West End Co., said while the organization was expecting a post-election, post-Brexit bump in transactions, "it was the scale that surprised us. It was positive and very rapid, and I think it just showed there's a lot of pent-up demand on the balance sheets of companies that want to invest in London. We all held a deep breath after Brexit, and we saw a lot of rise in consumer confidence as well as in investor confidence."

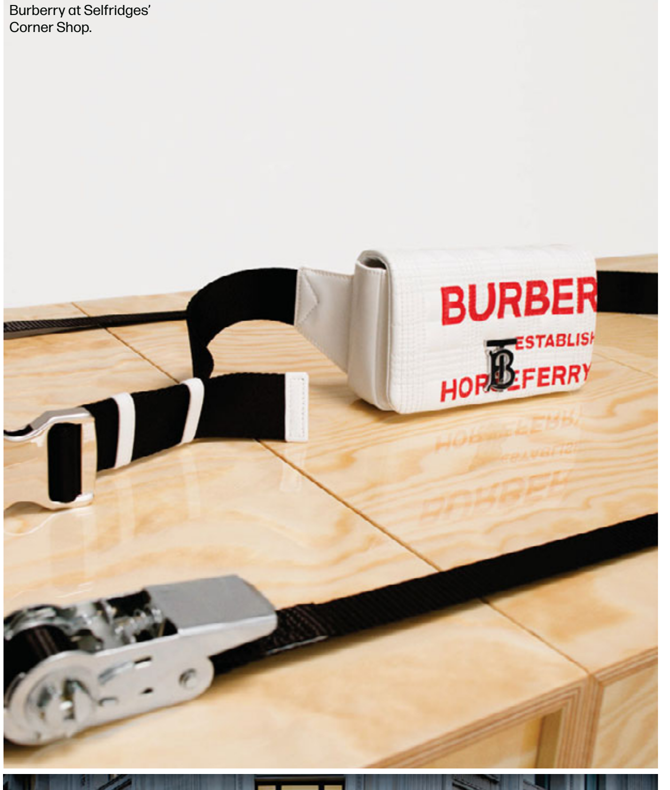
Over the past two years at least, uncertainty about whether Brexit would actually happen; a squabbling Parliament; a divided government, and the threat of a left-wing Labour leader taking control had spooked investors across a variety of sectors.

Indeed, the report said the value of transactions in 2019 dropped to 891 million pounds from 1.5 billion pounds in 2018, when it still looked as if Prime Minister Theresa May's government was going to meet the first Brexit deadline.

It was only in November 2019 as the general election campaign gained steam that investment began to pick up. Johnson's Conservatives won on a pro-Brexit agenda, compared with Labour, which had never clarified its stand on whether Britain should or shouldn't leave the EU, and which touted a socialist policy agenda.

The New West End Co.'s report comes as Johnson's government seeks a trade deal with the EU. It also follows in the wake of London's West End gaining International Centre status, which will enable buildings and businesses in the West End to be more flexible and diversify their existing uses beyond traditional retail.

Inside the Adidas London flagship on Oxford Street.



Burberry at Selfridges' Corner Shop.

The Canada Goose store on Regent Street.

The report comes a few days after swathes of Italy — including the industrial north — went into lockdown over fears of COVID-19 contagion, and after a rising number of cases of the virus in the U.K., Continental Europe and the U.S.

Asked how the virus might dent the report's punchy forecasts, Tyrrell said property is a long-term proposition, "not a three-month process. A lot of people who buy real estate and do capital transactions in the West End are long-term players. Asia is still a very hot market for us — they see London as investment potential, and good growth here," he said.

Tyrrell added that the U.S. economy remains "very strong" and while COVID-19 is taking its toll on stock markets worldwide, "hopefully the impact will be short term. And there are opportunities for European investment even with Brexit. We've got different corners of the world still seeing London as a very good commercial investment place."

COVID-19 has certainly had its impact in the short term: Tyrrell was due to discuss the latest report at MIPIM, the property market trade show, this week but he never got the chance. MIPIM has been postponed until June due to COVID-19 concerns.

The report added that a number of landmark property deals contributed to the rise in investment since November.

They include the sale of 325-329 Oxford Street, a mixed-use retail and office space, to U.S. real estate firm Hines for 130 million pounds, and the current Halcyon Gallery on New Bond Street, which was acquired by Trophaeum Asset Management, also for 130 million pounds.

Since November, Hong Kong investors acquired several ultra-prime locations on Bond Street totaling 350 million pounds, according to New West End. Last year also saw more than 150 new retail and leisure openings and refurbishments across the West End.

Tyrrell said the West End's International Centre status has been breathing new life into the area. "The fact that you can repurpose buildings with gyms, restaurants and different uses makes it even more attractive," he said, adding that he is talking to landlords about repurposing the buildings in a sustainable way.

"These buildings have been designed beautifully, but they were designed 200 years ago. So our conversations are about how do we retrofit them to be more sustainable with their energy use."

There is more money in the pipeline, from the public sector. Last year, Westminster City Council revealed a 150 million pound investment into the Oxford Street District to create a pedestrian-first environment.

The 16 billion pound rail service, Crossrail, will open two new stations at Bond Street and Tottenham Court Road, which are expected to attract an additional 60 million visits a year, and boosting turnover in the West End by 1 billion pounds a year.

Tyrrell is working on many fronts to promote the West End and retail in particular. He also serves as ceo of a new organization called AIR, or Association of International Retail, which is aimed at helping the sector recover economically once COVID-19 is no longer a threat.

"There is going to be probably four to five months of real disruption and, as the governor and the Bank of England said, it will be a sharp short hit, but it will be a hit, and it will be deep, probably. But what's important is that it won't be in perpetuity — we will get to the other side of this," he said.