

City Investment Watch

Year ends with a flurry of December deals to take total annual turnover to £10.72bn

January 2016

Market comment and notable deals

December turnover was £1.65bn across 17 deals, resulting in the year-to-date turnover reaching £10.72bn across 154 deals. This is 15% down on last year but still 80% up on the long-term annual average.

Total turnover for Central London reached £19.1bn. This was 9% down on last year but still 81% up on the long term annual average, underlining London's continuing appeal as an investment destination.

Two notable deals that completed last month were the Lend Lease forward sales in Stratford at The International Quarter. The FCA Building was purchased for £370m, 4.75% and £734/sq ft, by Deutsche Asset and Wealth Management. Furthermore, the TfL Building was purchased for £246m, 4.17% and £860/sq ft, by L&G.

Another notable deal which completed was the purchase of 5 Fleet Place, EC4 by POLY Group. The Chinese state-owned investment company made their debut London purchase in December paying £145m, 4.3% and £1,115/sq ft for the 130,000 sq ft Farringdon office building. The decision to sell by ADIA reflects the substantial increase in rental values in Farringdon, which has hardened yields for the buildings that look set to benefit from the arrival of Crossrail in 2018. Furthermore, it is encouraging to see Chinese investment continuing into London despite recent reports of potential uncertainty surrounding the nations economy.

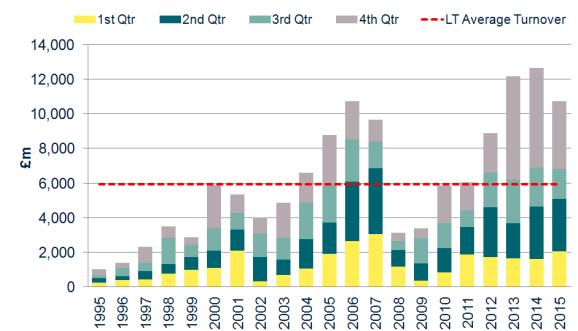
At the end of 2015, UK purchasers accounted for the greatest proportion of turnover at 29%, up by 8% on 2014. They are followed by Asian purchasers who accounted for 26% of 2015 turnover, down 7% on 2014. US purchasers accounted for 17% of 2015 turnover, Europe 12%, Middle East 6% and 9% for other nationalities.

The average lot size for UK purchasers was £39m, significantly lower than Asian purchasers at £153.2m or US purchasers at £123.7m. This is due to the sweet-spot for many UK funds being £25m - £75m.

IPD average equivalent yield was 5.6% at the end of December, down from 6% at the end of 2014. Furthermore, Savills prime yield remains at 4%, which is an all time record low. Moreover, the spread between the City and the West End remains at 100bps with the West End prime yield at 3% (Graph 3).

GRAPH 1

City turnover



Graph source: Savills

GRAPH 2

Turnover by nationality

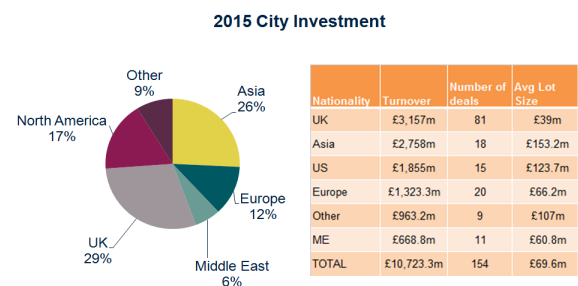


Chart source: Savills

GRAPH 3

12-month rolling turnover & prime yield

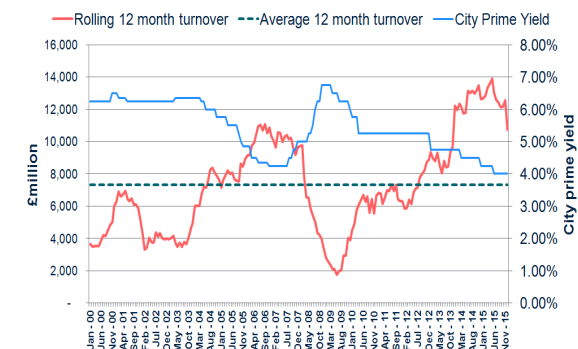


Chart source: Savills

TABLE 1
Key deals in December 2015

Address	Postcode	Sector	Area (sq ft)	Tenure	Price	Yield	Vendor	Purchaser
FCA Building, The International Quarter	E20	Office	504,000	VFH	£370.00 M	4.75%	Lend Lease LCR	Deutsche Asset & Wealth Management
TfL Building, The International Quarter	E20	Office	286,000	VFH	£246.00 M	4.17%	Lend Lease LCR	L&G
55 Bishopsgate	EC2	Office	198,163	FH	£187.50 M	4.87%	CPPIB	Schroders
5 Fleet Place	EC4	Office	130,000	FH	£145.00 M	4.30%	ADIA	POLY
The Helicon, 1 South Place	EC2	Office	122,284	FH	£145.00 M	4.25%	Deutsche Asset & Wealth Management	COLI
High Holborn Estate	WC1	Mixed	143,524	FH	£136.50 M	3.92%	Blackstone	SRG Holdings Ltd
40 Gracechurch Street	EC3	Office/Retail	122,494	LLH	£136.20 M	4.17%	Cornerstone Real Estate	Shin Kong Life

Table source: Savills

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