

# City Investment Watch



## Despite the Brexit deadline City investment volumes increased 73% on September turnover

31st October has been on investor's radars since 12 April 2019 when the Government proposed leaving the EU with or without a deal, exacerbating the levels of uncertainty throughout the financial markets. Despite this milestone drawing ever near, the City of London CRE markets held up well.

October saw £1.24Bn transact across 10 deals, the second largest month by volume this year, behind March which saw Citi Group acquire 25 Canada Square, E14 for £1.10Bn, which is 73% up on September (£335M). The City of London transactional volume year to date currently stands at £6.17Bn, which remains low compared with £9.77Bn at the same point last year but only 2.3% below the long term average of £6.31Bn. Furthermore, at the point of writing this we are aware of a further £1.57Bn of stock currently under offer across 3 deals.

As at the end of October, there have been 94 deals in the City of London, 15% down on the same point last year (110 deals) and 19% down on the long term average (136 deals). However, we saw an increase of 20% in the number of deals in October compared with September, and while there has been a lack of larger deals in the City (£100M+) throughout 2019, we saw three deals transacting last month with lot sizes in excess of £100M, totalling £865M (70% of October's total volume).

The relative muted transactional volume can in part be attributed to the lack of available stock that has been consistent throughout 2019; there are currently 19 buildings available on the market in the City, 8 of which were formally launched in October totalling £604M.

In the largest transaction of the month, M&G acquired 40 Leadenhall Street, EC3 ('Leadenhall Triangle') from Nuveen and AIMCO for a reported £400.00M, reflecting a capital value of £444 per sq. ft. The property comprises a 2.5 acre site in the heart of the City's Tower Cluster with planning consent for a MAKE Architects design scheme, dubbed 'Gotham City',

which will provide 900,000 sq. ft. of office, retail and ancillary accommodation in a 34 storey building.

In another Landmark deal, Brookfield Properties have reportedly acquired Oxford Properties 50% share in the long leasehold interest in 1 & 2 London Wall Place, EC2 in an off market transaction, valuing both buildings at approximately £700 million. Situated adjacent to Moorgate Station, which will benefit from direct access to Crossrail from October 2020, the landmark office development comprises approximately 500,000 sq. ft. of Grade A office and ancillary accommodation arranged over two buildings. Completed in 2017, One London Wall Place was pre-let in its entirety to Schroders, while Two London Wall Place is multi-let to a number of tenants.

Interestingly, investors currently active in the market are those with an established track record and largely unfazed by the current political uncertainty overshadowing the market and have belief in the long term fundamentals of the UK and London. UK and US investors have been the most active buyers to date, responsible for 37% and 32% of total investment volume respectively. Interestingly, UK buyers account for £2.26Bn of transactional volume across 51 transactions, while US buyers account for £1.98Bn across seven transactions. Together, UK and US buyers account for £4.23Bn (69%) of total transactional volume.

Savills City Prime yield remains at 4.0%, which compares with the West End prime yield of 3.75%.



2019 transactional volume to date at  
**£6.17Bn**



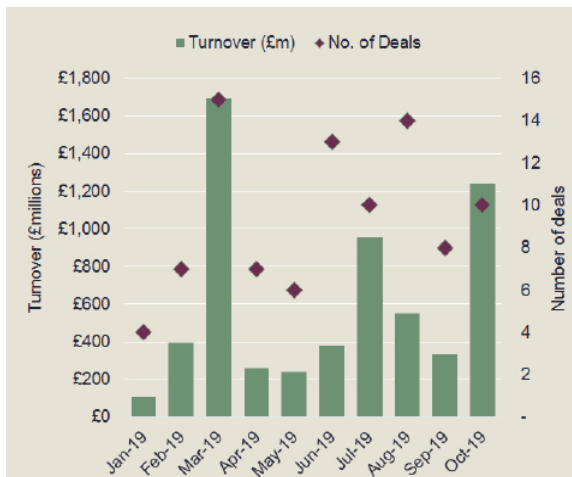
**£1.24Bn** transacted in October - second highest monthly turnover this year



**70%** of October transactional volume attributed to 3 deals over £100m

### 2019 investment turnover by month

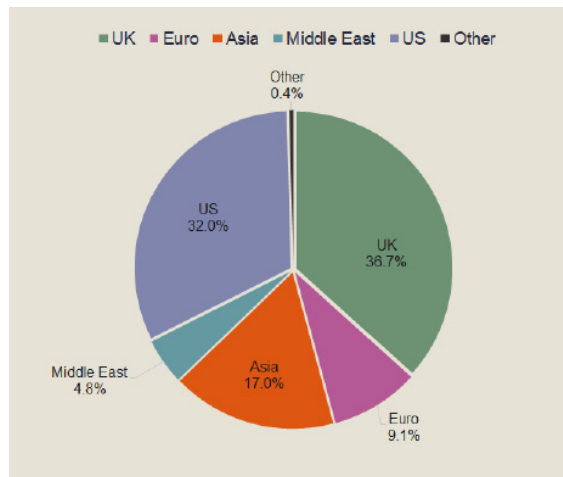
Graph 1



Source: Savills

### City turnover by nationality

Graph 2



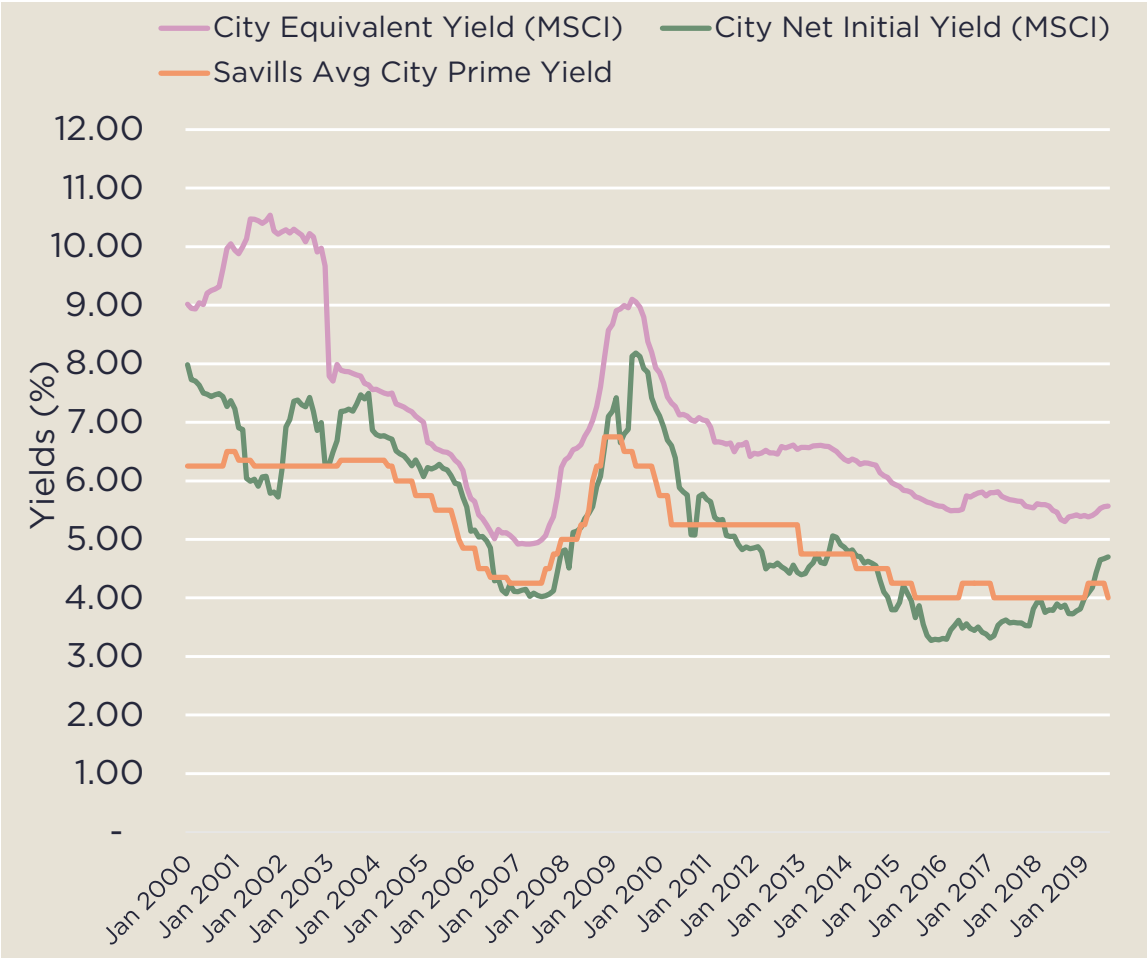
UK buyers account for the largest share of transactional volume across 50 deals

Key deals in October 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					
Leadenhall Triangle	40	Leadenhall Street	EC3	Develop- ment	900,000	FH			c. £400.00 M	N/A	£444	AIMCO & Nuveen	M&G
	1 & 2	London Wall Place	EC2	Office	500,000	LLH	250	5.00	c. £350.00 M (50%)	4.25%	£1,400	Oxford Properties	Brookfield Properties
Chancery House	53- 64	Chancery Lane	WC2	Office	143,595	FH			£115.00 M	4.61%	£801	PSP Investment	TOG

City yield graph

Graph 3



Source: Savills and MSCI

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