

# City Investment Watch



## 2018 turnover passes the £12.0 bn mark for only the 4th time on record

### Market comment and notable deals

Investment turnover in December saw 19 transactions totalling £1.23 bn, the 3rd highest monthly turnover in 2018, taking the overall for Q4 to £3.34 bn. This is down on Q4 2017 where volumes passed £4.0 bn, but up on the long term average for the final quarter of the year by 13%.

Total turnover in 2018 reached £12.14 bn across 148 transactions, despite this being 5.0% down on 2017 volume it is 45% up on the 10-year average, and only the 4th time City investment volumes have topped £12.0 bn. The final figures for 2018, were above our predicted figures at the start of December and highlight the continuing strong demand for City of London real estate from both domestic and overseas investors, despite ongoing political and economic uncertainty.

A notable transaction for the month saw Hana Alternative Asset Management acquire the freehold interest in One Poultry, London EC2 for £182.0M, reflecting a net initial yield of 4.70% and a capital value of £1,195 per sq ft. The iconic Grade II\* listed building provides 152,320 sq ft of Grade A office, retail, restaurant and ancillary accommodation. The office accommodation is let to WeWork, with other tenants including three retailers and a restaurant. The current passing rent is £8,715,557 per annum, which reflects an overall rent of £57.67 per sq ft and a WAULT of 13.5 years. Savills advised the buyer.

December also saw Pembrey Asset Management acquire the freehold interest in One Bartholomew Lane, EC2 for £107.0M, reflecting a net initial yield of 3.89% and a capital value of £1,340 per sq ft. The freehold corner building is located opposite the Bank of England and was developed in 2010 behind an attractive retained façade. The property provides

79,838 sq ft of Grade A office and ancillary accommodation and is 100% let to 11 tenants with a WAULT of approximately 5 years. The passing rent of £4,265,552 per annum which reflects a rent of £55.74 per sq ft overall.

In their only acquisition for 2018, Land Securities acquired the freehold interest in 25 Lavington Street, SE1 for £87.10M which reflects a capital value of £656 per sq ft. The property occupies a 1.6 acre site and comprises two office buildings of 132,804 sq ft with vacant possession achievable by March 2019. The property benefits from planning permission for a mixed-use Allies & Morrison designed development.

British Land added to their acquisitions for 2018 in December by acquiring both 158-164 Bishopsgate, EC2 and 6-9 Eldon Street, EC2. Both properties were strategic acquisitions due to their proximity to the company's wider Broadgate Estate, and took the groups expenditure in the City market over £100.0M across 4 building in 2018.

Asian money accounted for the largest share of transactions for the year accounting for 52% of total investment, with South Korean investors being the lead nationality. The acquisition of One Poultry was the 6th acquisition from this group in 2018, taking their overall investment in the City to £2.256 BN and 19% of total turnover. The diversity of buyers was a continuing trend across 2018, with 28 different nationalities acquiring real estate within the City market.

Our Prime City yield remains at 4.0% which compares with the West end prime yield of 3.5%. The MSCI average equivalent yield has remained at 5.4% for the third consecutive month while the net initial yield has softened slightly and is currently at 3.8%, the highest since July 2015.

**£3.34BN**

Transacted across 49 deals in Q4 2018



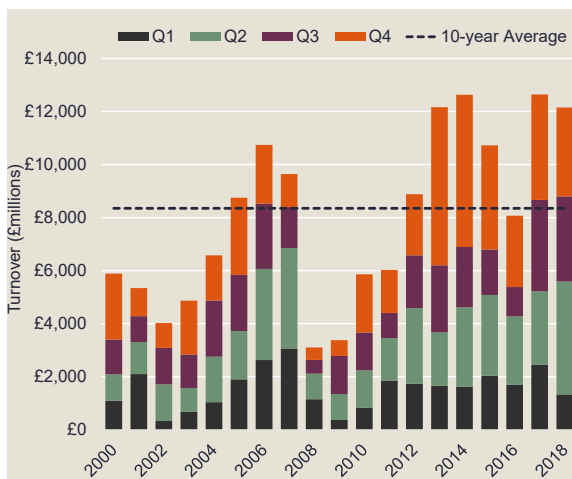
**£2.256 BN**  
South Korean investment into the City of London market in 2018

**£12.14BN**

Transacted across 148 deals in 2018

## Turnover by quarter

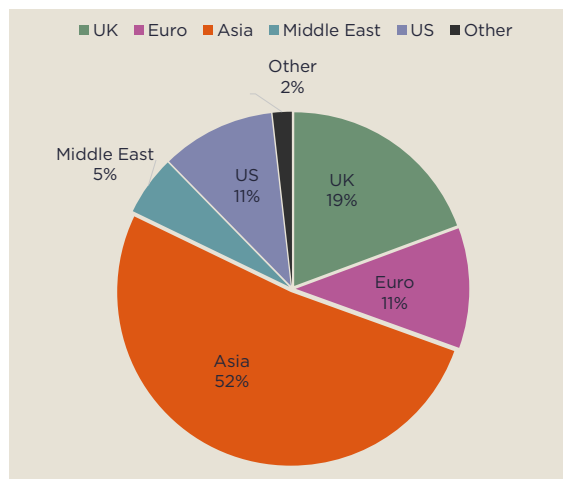
Graph 1



Source: Savills

## Turnover by nationality

Graph 2



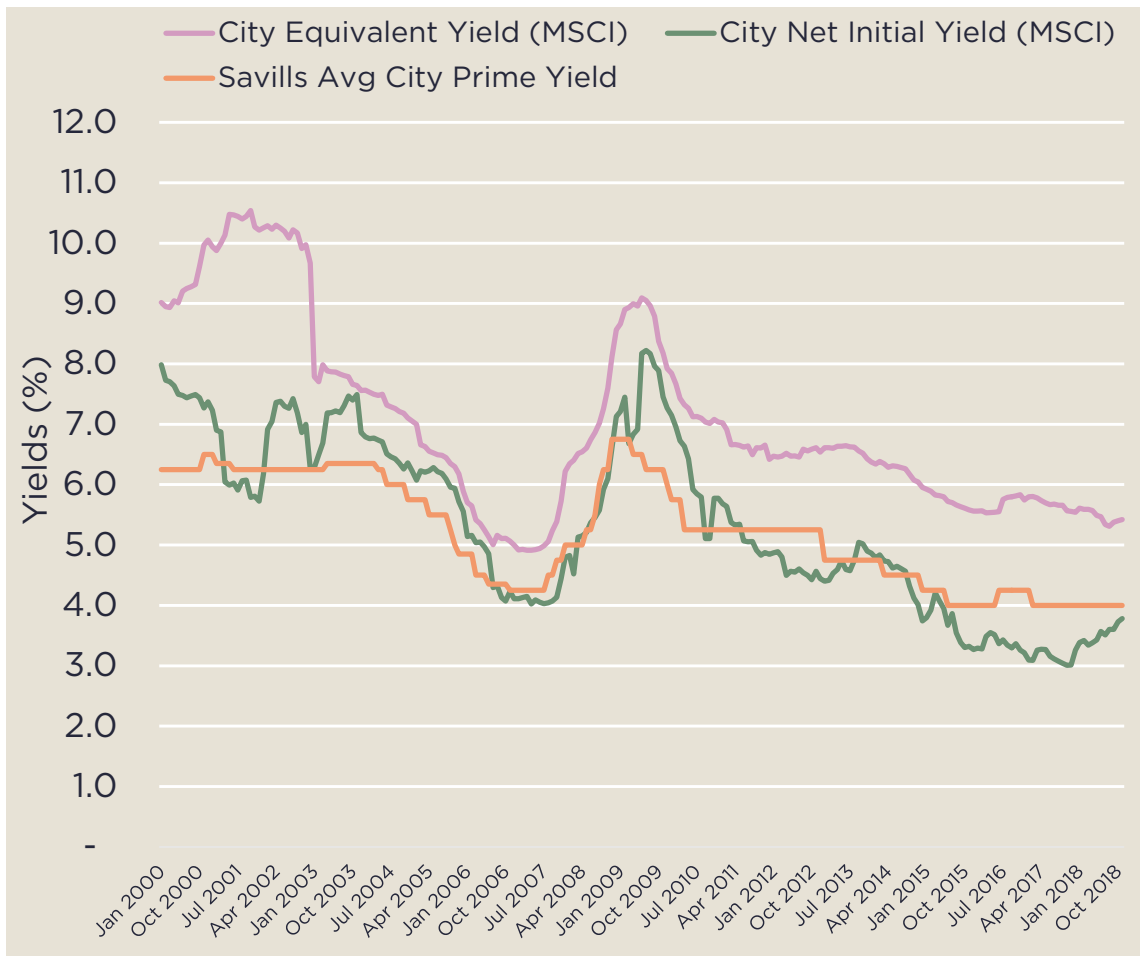
**28**  
Different nationalities acquired properties in the City market in 2018

# Key deals in December 2018

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
Southbank Central		Stamford Street	SE1	Office / Retail	259,448	FH			£255.00 M	5.52%	£983	Hermes/CPPIB	Starwood Capital
	1	Poultry	EC2	Office / Retail	152,320	FH			£182.00 M	4.70%	£1,195	Perella Weinberg Partners	Hana Alternative AM
	1	Bartholomew Lane	EC2	Office	79,838	FH			£107.00 M	3.89%	£1,340	Hines / KIC	Pembrey AM
Courage Yard		Shad Thames	SE1	Mixed	85,884	FH			£89.00 M	5.00%	£1,036	Columbia Threadneedle	Southwark Council
	25	Lavington Street	SE1	Dev	132,804	FH			£87.10 M	-	£656	Private	Land Securities

## City yield graph

Graph 3



Source: Savills and MSCI

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