

City Investment Watch

UK purchasers have so far accounted for over a quarter of this year's turnover

October 2014

Market comment and notable deals

■ September turnover was £562.13m across 13 deals, bringing the yearly turnover to £6,772m (Graph 1).

■ Total turnover is 9% up on this point last year (£6,193m) across 121 deals compared with 125 last year. Total turnover has already exceeded the long term yearly average of £5,947m.

■ The largest deal of the month was the acquisition of Exchange Tower, 1 & 2 Harbour Exchange, E14 by a consortium led by GAW Capital including The Korean Teachers' Credit Union for £191m, at a 7.00% yield and £395 per sq ft. The 483,544 sq ft building purchased from Blackrock is a heavily multi-let office investment close to Canary Wharf offering asset management potential.

■ Asian investors have accounted for the most amount of turnover so far this year at 36%. We would expect this influx of foreign investment from Asia to continue as the London occupational leasing market continues to strengthen and benefits from stable rental growth.

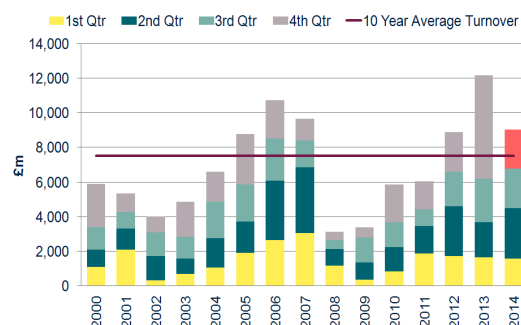
■ The strong leasing market has also acted as an incentive to UK investors, who are being put under increased pressure to part with their money. Domestic investment accounted for 22% at the end of last year, whereas they currently account for 26% of all turnover. It will be interesting to see if they maintain their consistent activity throughout the final quarter.

■ Standard Life Investments Pooled Pension Property Fund acquired the newly developed 100 Cheapside this month for £95.5m, equating to £951 per sq ft. The 100,000 sq ft new development is now available on the occupational market.

■ There is currently approximately £2.3bn of investments under-offer within the City and Docklands. The highest profile asset being the HSBC Tower, 8 Canada Square in Canary Wharf, which is reportedly under-offer for £1.1bn, providing a yield of 4.86%. The final quarter of the year is traditionally the busiest so we would expect increased investment activity across the next three months.

■ The September IPD equivalent yield has continued the downward trend from the start of the year, falling again on last month to 6.11%. Savills are reporting City prime yields to be at 4.5% for the seventh consecutive month.

GRAPH 1
City turnover by quarter



Graph source: Savills N.B. 2014 red shaded area equals under-offer amount

GRAPH 2
City purchasers by nationality

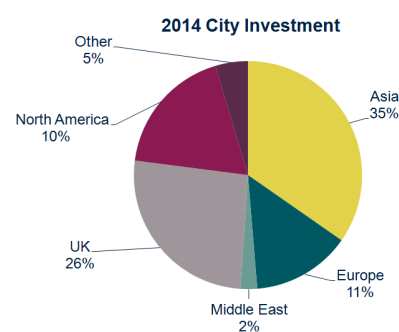


Chart source: Savills

TABLE 1

Key deals in September 2014

Address	Postcode	Sector	Area (sq ft)	Tenure	Price	Yield	Vendor	Purchaser
Exchange Tower, 1 & 2 Harbour Exchange	E14	Office	483,544	FH	£191 M	7.00%	Blackrock	The Korean Teachers' Credit Union
100 Cheapside	EC2	Office/Retail	100,406	LLH	£95.5 M	N/A	CarVal, Orion Capital & Quadrant	Standard Life Investments Pooled Pension Property Fund
280 High Holborn	WC1	Office/Retail	69,086	FH	£86.50 M	4.30%	Hines	Private Middle Eastern
Bavaria House, 13-14 Appold Street	EC2	Development	42,955	FH	£49.50 M	3.59%	Bayerische Landesbank	Masterworks Development Corporation
51-55 Gresham Street	EC2	Office/Retail	84,038	LLH	£44.75 M	6.13%	Topland	Angelo Gordon (Beltane DM)
Asia House, 31-33 Lime Street	EC3	Office	16,057	FH	£21.00 M	N/A	Beltane Asset Management	SCOR
20 St Dunstons Hill	EC3	Office	58,097	LLH	£20.80 M	N/A	City Corporation	Serviced Office Group
4-6 Copthall Avenue	EC2	Office/Retail	14,333	FH	£11.33 M	5.00%	Ediston Properties	Private

Table source: Savills

Please contact us for further information



Stephen Down
Investment
+44 (0)20 7409 8001
sdown@savills.com



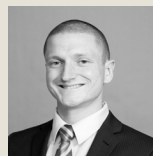
Robert Buchele
Investment
+44 (0)20 7409 8007
rbuchele@savills.com



Felix Rabeneck
Investment
+44 (0)20 7409 8918
frabeneck@savills.com



Mike Adcock
Investment
+44 (0) 20 7409 8927
mfadcock@savills.com



Callum Young
Investment
+44 (0)20 7409 8955
cgyoung@savills.com



Henry Timmis
Investment
+44 (0)20 7409 8915
htimmis@savills.com



Dan Hesketh
Investment
+44 (0)20 7409 8008
dhesketh@savills.com



Richard Bullock
Investment
+44 (0)20 7409 8006
rabullock@savills.com



Daniel Gaunt
Investment
+44 (0)20 7409 8857
dgaunt@savills.com



Ben Raywood
Research
+44 (0)20 7409 8791
braywood@savills.com

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