

City Investment Watch



A subdued start to 2019, however, £480.0 million placed under offer in January

Investment turnover in January saw only 4 transactions totalling £111.25M, 75% down on 2018 volumes and 78% down on the 5 year average turnover for January of £500.8M. January is typically associated with deals which have carried over from the previous year, however, given that 2019 started with only £840M under offer (compared to £2.77BN in 2018), it has resulted in a muted month for deals.

The lack of transactional activity is largely owed in part to the political uncertainty created by the ongoing Brexit deliberations culminating in caution from both vendors and purchasers. Whilst some groups are pausing for thought, others are more willing to commit and so whilst transactions for this month are subdued, the number of inspections and bidding activity remains high. There is currently £1.08 Bn under offer in the City market, 44% of which (£480.0M) has gone under offer since the new year.

We do not see the low levels of transactional activity continuing. As we enter February there has been an uptick in the availability of new opportunities. Seven new properties have been launched in 2019 totalling c. £915.0M, with the largest properties being 20 Churchill Place, E14 (c. £310.0M) which is being sold by M&G and 8 Salisbury Square, EC4 (c.£240.0M) being sold by Greycourt/Cheyne Capital.

A notable transaction for the month saw London and Oxford acquire the long leasehold interest in 4 Moorgate, EC2 from Canada Life for £19.0M reflecting a net initial yield of 4.59% and a capital value of £825 per sq ft. The Grade II Listed 23,030 sq ft office and retail building is located immediately north of the Bank of England. The property is multi-let to tenants including Kaplan Financial, Handlesbanken and Amicus Wealth. This was London and Oxford's fourth city acquisition since October 2018, taking their overall investment over £180.0M.

January also saw the sale of 85-89 Southwark Street and 1 & 9 Farnham Place, SE1 by Aberdeen Standard Investments. The property was sold off-market to Royal London Asset Management, the pricing detail remains confidential. The freehold interlinked properties comprise 32,934 sq ft of office, retail and ancillary accommodation which were completed in 2013. Both properties are let entirely to The Partners of Allies and Morrison on two separate over-riding leases over each property expiring in December 2029. This was the first property to be sold out of a retail fund in the City market since the recent press reports highlighting an increase in redemptions at the end of 2018. We expect further sales as funds look to capitalise on the liquidity in the City market, to improve cash weightings.

UK investors accounted for the largest share of turnover acquiring half of all deals and reflecting 49% of turnover. Savills advised on two of the four deals in January, equating to 49% of total turnover by volume.

Our Prime City yield, although under pressure, remains at 4.0% compared with the West End prime yield of 3.5%. The MSCI average equivalent yield has remained at 5.4% for the fourth consecutive month while the net initial yield has remained at 3.8% for a second consecutive month, and has now remained sub 4% since May 2015.

£111.25M

Transacted across just 4 deals in January 2019



£915.0M

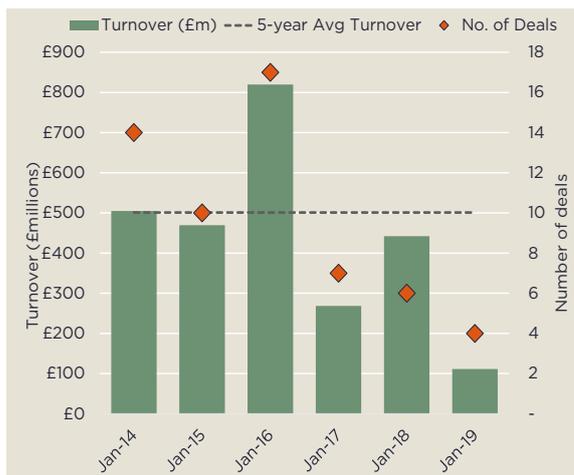
brought to the market in 2019 across seven deals

£480.0M

Placed under offer in the City since the start of the year

January turnover

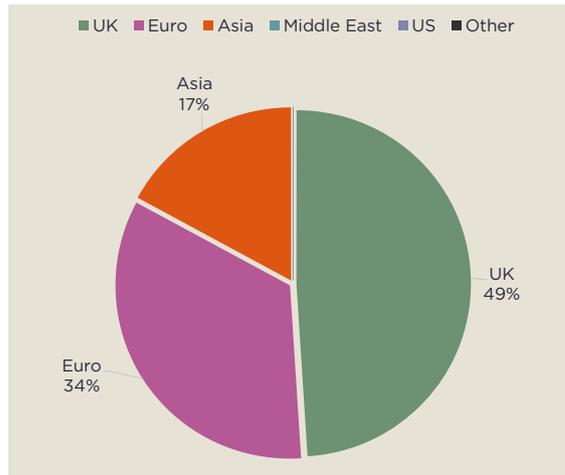
Graph 1



Source: Savills

Turnover by nationality

Graph 2



£54.50M

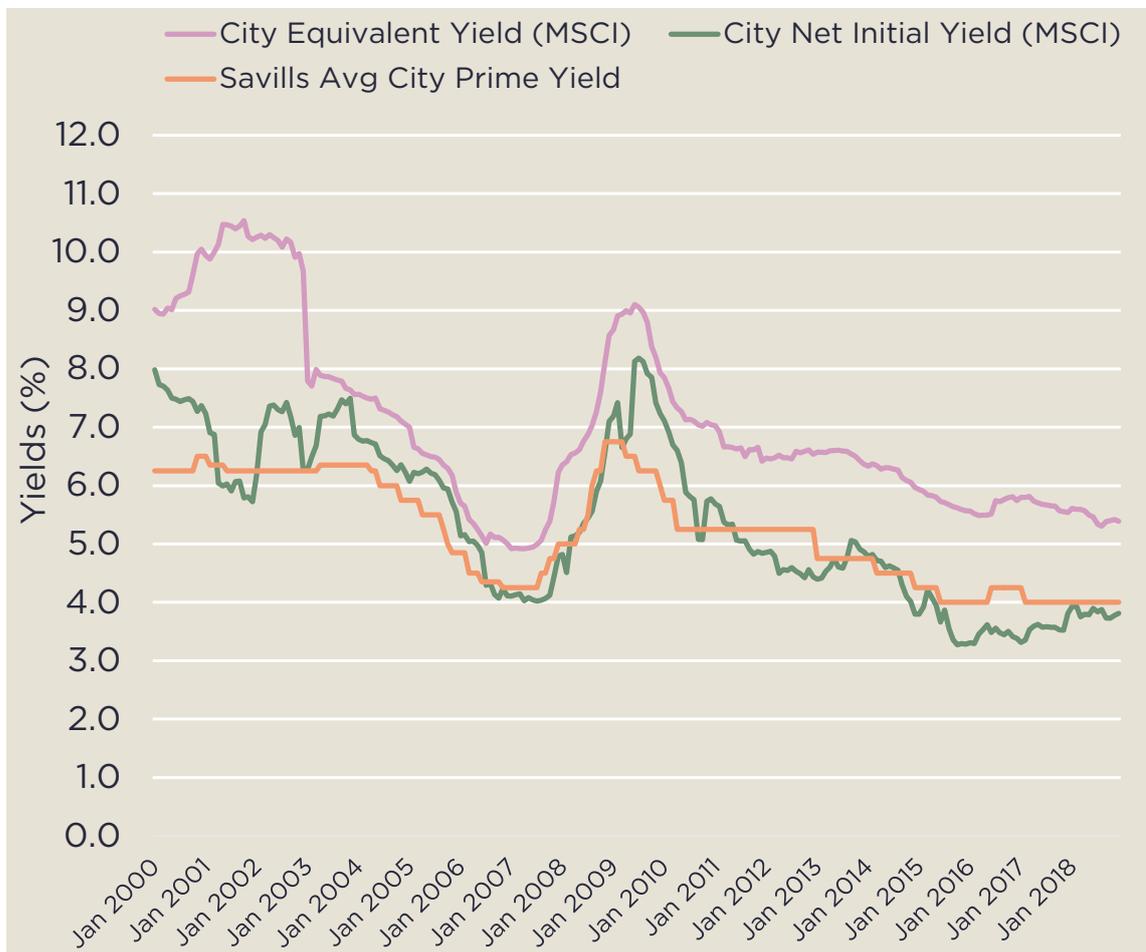
Acquired by UK investors in Jan, 49% of total turnover

Key deals in January 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					
	4	Moorgate	EC2	Office	23,030	LLH	83	£1,000	£19.00 M	4.59%	£825	Canada Life	London & Oxford
	92	Middlesex Street	E1	Serviced Apartments	23,515	FH			£17.00 M	N/A	£723	Grainger	Glenwell Group

City yield graph

Graph 3



Source: Savills and MSCI

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