

City Investment Watch

New average capital value levels for the City of London

November 2017

Market comment and notable deals

■ October turnover was £138.03m across 5 deals, equating to an average lot size of £27.61m. Total turnover for the year has now reached £8.51bn across 96 deals (£88.6m avg lot size), which is 37% up on this point last year. The rolling 12-month total turnover is currently £10.36bn, 37% up on the long-term average.

■ In the City market, we are currently monitoring 85 investment opportunities totaling circa £9.5bn. Of which, 32 are currently under-offer totaling circa £2.7bn, leaving an estimated £6.8bn worth of available opportunities. The ten largest assets account for 66% of total availability. There are currently 19 available properties over £100m, totaling £5.8bn.

■ So far this year, there have been 25 transactions (excluding hotels) reflecting a capital value over £1,000/sq ft, with a further seven currently under-offer, and 14 more available. This is in comparison to 35 being transacted last year and 16 for the 5-year average.

■ Moreover, the average capital value for the 25 transactions this year that have exceeded £1,000/sq ft is £1,246/sq ft, which is up on last year by 9.4% and the 5-year average by 11.4%.

■ A notable October deal saw a private Middle Eastern investor acquire Aldermay House, EC4 for £48m, reflecting circa 6.48% NIY and £754/sq ft. The building is held on a short long leasehold interest of 64 years and is multi-let to tenants including Brattle Group, East Lodge Services and Indigo Planning. The 63,631 sq ft City asset was sold by WELPUT with an unexpired term certain of 4.9 years.

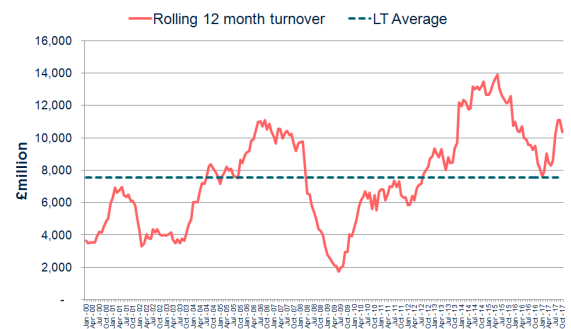
■ October also saw the sale of Quick & Tower House, 66-73 Worship Street, EC2 to Hobart & Bridges for £35.49m, reflecting 4.16% NIY and £660/sq ft. The building is fully let to four tenants including the University of Southampton, Telehouse, NHK Cosmo Media and IPC Info Systems with an unexpired term certain of 3 years.

■ For the year to date, Asian investors have continued to be the most active accounting for 58% of City turnover. However, this falls to a 41% market share when we exclude the acquisitions of 20 Fenchurch Street and The Leadenhall Building.

■ European investors have accounted for 15% of turnover, and UK investors at 13%. Activity from the Middle East has begun to increase, now at 8% for this year, while the US remains relatively quiet at 4%. Investors from other regions account for the remaining 2% of turnover.

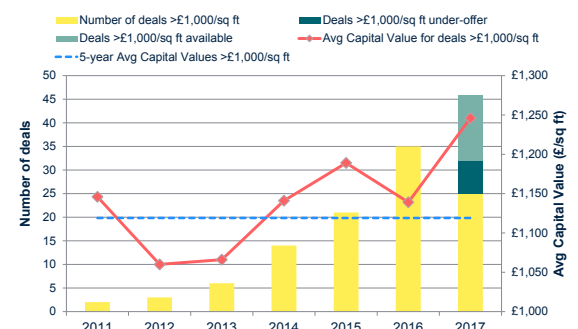
■ Savills prime City yield remains at 4.00%. The spread between the City and the West End is still just 75bps with the West End prime yield currently at 3.25%.

GRAPH 1
City 12-month rolling turnover



Graph source: Savills - 2017 accurate to end of October

GRAPH 2
Analysis on capital values >£1,000/sq ft



Graph source: Savills - 2017 accurate to end of October

GRAPH 3
City & West End average prime yield

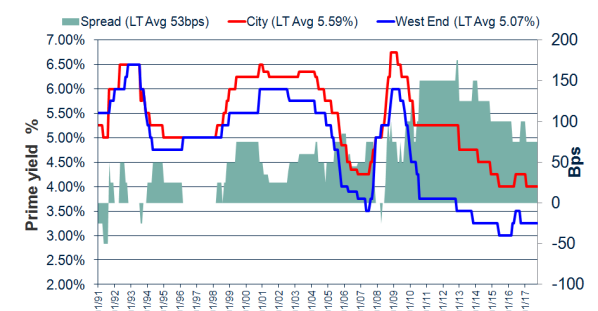


Chart source: Savills - 2017 accurate to end of October

TABLE 1
Key deals in October 2017

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term	Gearing					
Aldermay House	10-15	Queen Street	EC4	Office / Retail	63,631	LLH	65		£48.00 M	6.48%	£754	WELPUT	Private Middle Eastern
	10-18	Union Street	SE1	Office	55,924	FH			£38.00 M	VP	£679	PWC	Royal College of Surgeons
Quick & Tower House	66-73	Worship Street	EC2	Office	53,745	FH			£35.49 M	4.16%	£660	Aberdeen Asset Management	Hobart & Bridges
	110-126	Cheshire Street	E2	Development	47,229	FH			£10.14 M	N/A	£215	Grainger	CME Capital & Firefly Capital
	31-32	Ely Place	EC1	Office	7,034	FH			£6.40 M	4.10%	£910	Private UK Investor	Private Investor

Table source: Savills

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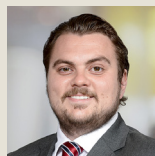
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