

City Investment Watch

2017 turnover to-date 6% up on 2016's total with Q4 still to go

October 2017

Market comment and notable deals

■ September turnover was £317.53m across 3 deals, equating to an average lot size of £105.84m. Total turnover for the year has now reached £8.5bn across 93 deals (£91.6m avg lot size), which is 58% up on this point last year. The rolling 12-month total turnover is currently £11.08bn, 47% up on the long-term average.

■ In the City market, we are currently monitoring 67 investment opportunities totalling circa £7.8bn. Of which, 20 are currently under-offer totalling circa £0.9bn, leaving an estimated £6.9bn worth of available opportunities. The ten largest available assets account for 66% of total availability. There are currently 21 available properties over £100m, totalling £6.0bn.

■ A notable September deal saw a private Hong Kong investor acquire Aldwych House, WC2 for £250m, reflecting circa 4.42% NIY and £1,417/sq ft. The building is multi-let to tenants including WeWork, Wasserman and the London School of Economics. The 176,392 sq ft Midtown asset was sold by Rowan Asset Management with a tenant unexpired term of 13.1 years.

■ September also saw the sale of 8 Bouverie Street, EC4 to Harbor Group International for £48.03m, reflecting 4.12% NIY and £1,004/sq ft. The building is single let to Tipall Ltd with a surety from Euromoney Institutional Investor Plc, and has an unexpired term of 11.9 years.

■ For the year to date, Asian investors have continued to be the most active accounting for 58% of City turnover. They are followed by European investors at 15%, and UK investors at 13%. Activity from the Middle East has begun to increase, now accounting for 8%, while the US remains relatively quiet accounting for 4%. Investors from other regions account for the remaining 2% of turnover.

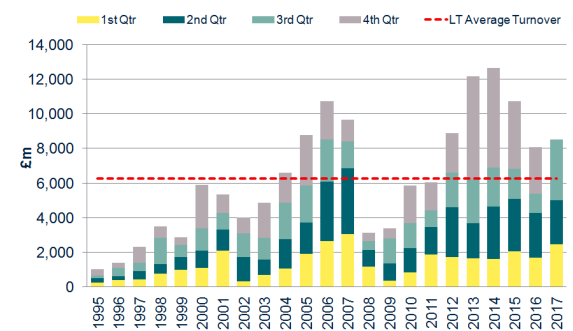
■ Historically the final quarter has been the most active of the year. The average turnover for Q4 over the last five years has been £4.1bn. Therefore, it is possible total City turnover for 2017 could surpass the record year of £12.6bn set in 2014.

■ At the end of Q3, Savills have been directly involved in 37.5% of total turnover in the City, which is the largest of any investment agent.

■ 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

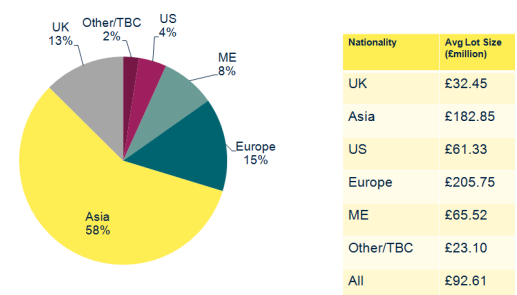
City turnover by quarter



Graph source: Savills - 2017 accurate to end of Q3

GRAPH 2

City turnover by nationality



Graph source: Savills - 2017 accurate to end of Q3

GRAPH 3

City & West End average prime yield

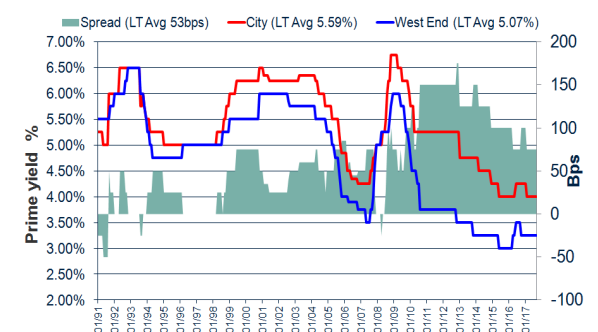


Chart source: Savills - 2017 accurate to end of Q3

TABLE 1
Key deals in September 2017

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term	Gearing					
Aldwych House	71-91	Aldwych	WC2	Office / Retail	176,392	FH			£250.00 M	4.42%	£1,417	Rowan Asset Management/ GI	Private Asian Investor
	8	Bouverie Street	EC4	Office	47,813	FH			£48.03 M	4.12%	£1,004	Private Investor	Harbor Group International
	35	King Street	EC2	Office / Retail	16,311	FH			£19.50 M	4.05%	£1,196	London Oreintal	Salamanca Group

Table source: Savills

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Savills plc

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