

City Investment Watch

Capital values for trophy assets in the City reach record high

September 2017

Market comment and notable deals

■ August turnover was £584.25m across 8 deals, equating to an average lot size of £73.03m. Total turnover for the year has now reached £7.98bn across 86 deals (£92.77m avg lot size), which is 57% up on this point last year. The rolling 12-month total turnover is currently £10.98bn, 47% up on the long-term average.

■ In the City market, we are currently monitoring 62 investment opportunities totalling circa £5.2bn. Of which, 22 are currently under-offer totalling circa £1.2bn, leaving an estimated £4.07bn worth of available opportunities. The ten largest available assets account for 73% of total availability.

■ A notable August deal saw a private investor acquire Lacon London, 84 Theobalds Road, WC1 for £285m, reflecting circa 4.50% and £1,290/sq ft. The building is let to eight tenants including Industrial Light & Magic, Argus Media and Kilburn & Strode. The 220,885 sq ft Midtown asset was acquired by Blackstone in July 2013 who undertook a comprehensive refurbishment. Savills advised the vendor.

■ August also saw the sale of the Royal Mail Sorting Office, Mount Pleasant, WC1 to Taylor Wimpey for £193.5m. Planning consent was secured for the development site in March 2015 to create 681 residential units, as well as retail, office space and public space. Savills advised the purchaser.

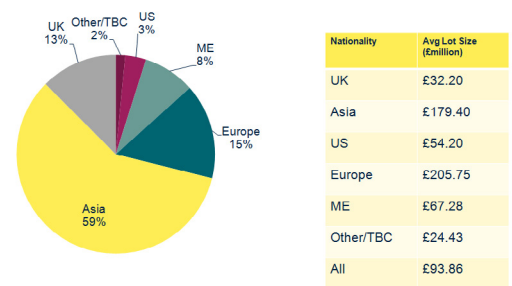
■ For the year to date, Asian investors have continued to be the most active accounting for 59% of City turnover. However, just over half of their total turnover has come from two deals alone; 20 Fenchurch Street and The Leadenhall Building. They are followed by European investors at 15%, and UK investors at 13%. Activity from the Middle East has begun to increase, now accounting for 8%, while the US remains relatively quiet accounting for 3%. Investors from other regions account for the remaining 2% of turnover.

■ Following on from WeWork acquiring their first City building in July, 51 Eastcheap, EC3, they continued to invest into the City last month. They acquired 120 Moorgate, EC2 for £43.00m and £526/sq ft. The 156,530 sq ft freehold building was sold with short term leases across the office accommodation and Barclay's occupying the retail unit.

■ At the end of August, the average of the top ten capital values of traded assets in the City was £1,442/sq ft, up on last year by 10.3% and up on the 10-year average by 41.8%. This has been due to a number of trophy assets being traded this year amidst strong overseas demand.

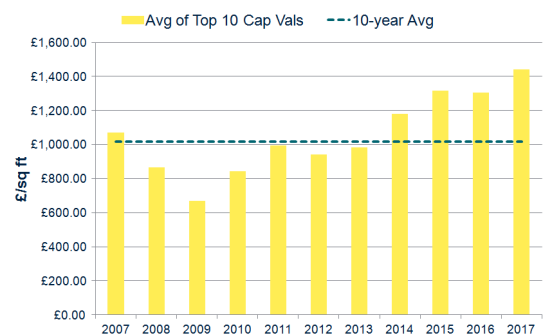
■ Savills prime City yield remains at 4.00%. The spread between the City and the West End is still just 75bps with the West End prime yield currently at 3.25%.

GRAPH 1
City turnover by nationality



Graph source: Savills - 2017 accurate to end of August

GRAPH 2
Average of top 10 capital values



Graph source: Savills - 2017 accurate to end of August

GRAPH 3
City & West End average prime yield

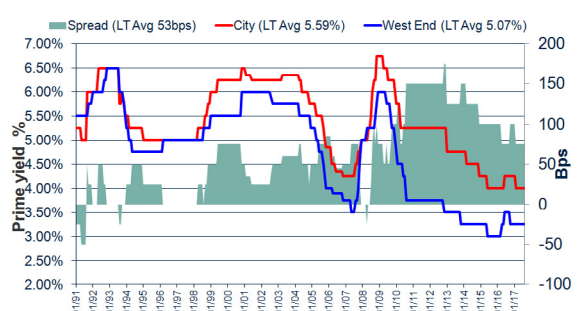


Chart source: Savills - 2017 accurate to end of August

TABLE 1
Key deals in August 2017

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
House	No	Street	PC			FH/LH	U/x term	Gearing					
Lacon London	84	Theobalds Road	WC1	Office / Retail	220,885	FH			£285.00 M	c. 4.50%	£1,290	Blackstone	Private Investor
	70	Gracechurch Street	EC3	Office	214,434	FH			£271.40 M	4.22%	£1,266	L&G	Private HK Investor
Royal Mail Sorting Office		Mount Pleasant	WC1	Development	c. 6.0 acres	FH			£193.50 M	N/A	N/A	Royal Mail	Taylor Wimpey
	120	Moorgate	EC2	Office / Retail	156,530	FH			£43.00 M	VP	£526	Redevco	WeWork
	9-13	St Andrew Street	EC4	Office	16,772	FH			£20.78 M	4.00%	£1,238	Meadow	Get Nice Holdings

Table source: Savills

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