

City Investment Watch



Prime City Yield below 4.00% for the first time in history

July saw 10 transactions totalling £743.1M, the 2nd largest monthly turnover in 2021 (to date) and a 68% increase on July 2020 figures (£443.0M). Total investment for the year stands at £3.74BN across 44 transactions, a 39% uplift on this point last year and a 32% decrease on the 5-year average for investment turnover (up to July), which is £4.92BN. There is currently a further £1.40 BN under offer across 20 transactions.

The market continues to go from strength to strength, with July seeing a further three £100.0M+ buildings trade. The City market today is characterised by a large pool of investors targeting a small number of opportunities, this weight of money coupled with historically low borrowing costs has meant that 2021 continues to see record pricing being set for best-in-class real estate. In light of these market dynamics and with recent/emerging evidence, Savills are putting our Prime City of London yield to 3.75%, which is the first time in our history when the Prime Yield is below 4.00%.

July saw another muted month for new sale launches with only three buildings brought to the open market totalling £425.0M, with the most high profile being DWS's 2&3 Bankside, SE1 which is being marketed at a reported price of £410.0M, taking total availability to £4.10BN across 34 properties. The Savills team advised on 83% of July's transactional volume, acquiring or disposing approximately £615.0M worth of real estate in the City market.

In the largest transaction of the month Brookfield, advised by Savills, acquired the freehold interest in Milton Gate, 60 Chiswell Street, London EC1. The property comprises over 200,000 sq ft of office accommodation single let in its entirety to Addleshaw Goddard on a lease expiring September 2024, at a passing rent of £10.0M per annum reflecting a highly reversionary rent of £49.0 per sq ft overall. Brookfield's acquisition of Milton Gate marks their 2nd purchase in 2021 taking the asset manager's investment into the capital to over £850.0M so far this calendar year.

In another notable transaction Barings, advised by Savills acquired Capital House, 85 King William Street, EC4 for £130.50M reflecting a capital value of £1,039 per sq ft. The Freehold building occupies a 0.486 acre site overlooking the Bank of England. The property comprises 125,590 sq. ft (11,667.7 sq. m) of office, retail ancillary accommodation arranged over basement, lower ground, ground and eight upper floors. The property is currently 55% let to six tenants, including Alpha Bank, Beale & Co, Sainsbury's and Pret A Manger.

July saw a number of development and value add opportunities going to formal bidding within the City market, most notably Edge London Bridge and Moorfield's Eye Hospital, City Road. Development and value add opportunities are being well received and attracting interest from a wide range of investors from around the world, highlighting the confidence global capital continues to have in the long term future of the City.

This increased interest in development and value add opportunities is being driven in part by the increase in focus on the ESG agenda which emerged from 2020 as more urgent than ever. Both investors and developers are looking to develop/reposition buildings to create environmentally sustainable properties suitable for future generations.

Following the flurry of deals across June and July, North American investors have emerged as the number one buyer group in the City acquiring £1.17 BN worth of transactions accounting for 31.5% of total volume. European investors are close behind acquiring £979.0M worth of buildings accounting for 26.2% of volume.

Savills City prime yield now stands at 3.75% which compares to the West End prime yield of 3.25%. The MSCI City average equivalent yield currently stands at 5.48%, while the net initial yield is 3.04%.



10 deals totalling
£743.00M



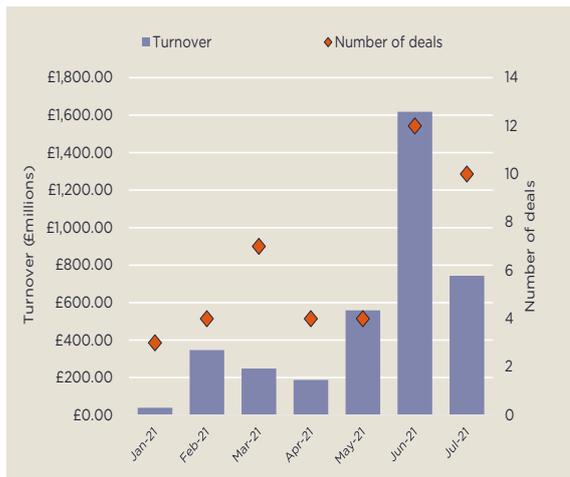
Savills advised on **83%** of July's transactions (by volume)



Prime Yield falls below **4.00%** for the first time in history

2021 monthly turnover

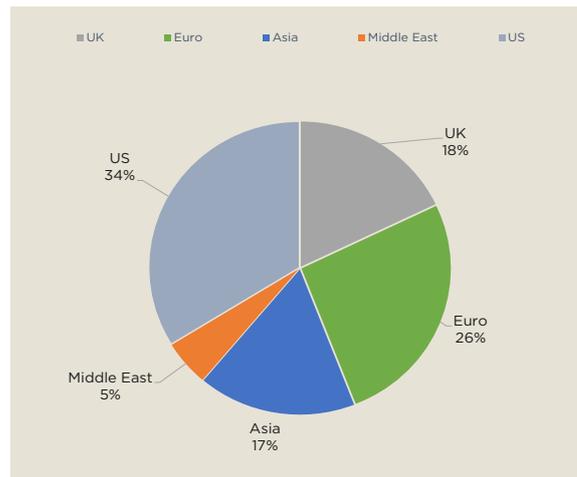
Graph 1



Source: Savills

Purchaser nationality (by volume)

Graph 2



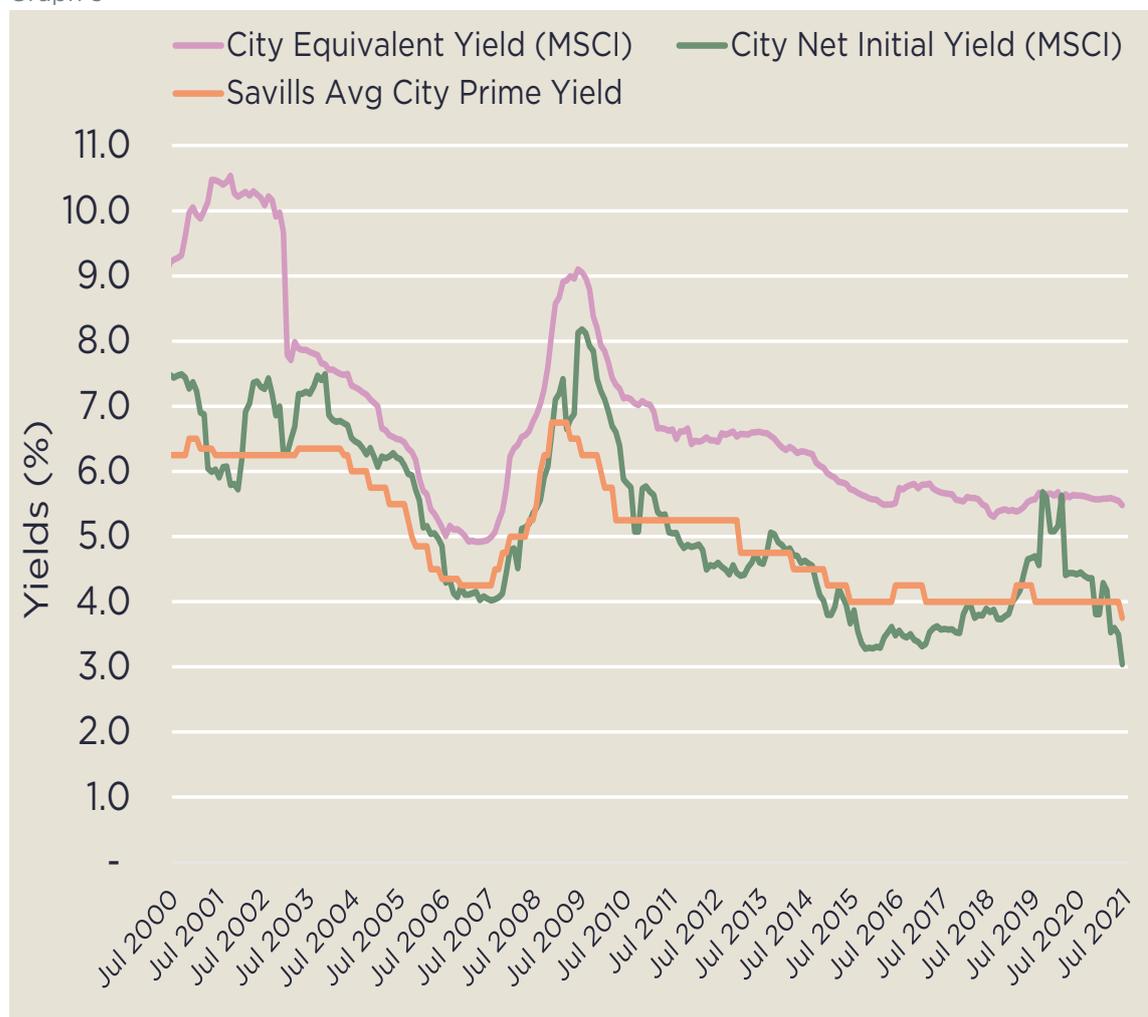
US investors accounted for **34%** of total turnover volume

Key deals in July 2021

Building Name	No	Address		Sector	Area Sq ft	FH			Price (£ millions)	Yield	CV/sq ft	Vendor	Purchaser
		Street	PC			FH/LH	U/X term	Gearing					
Milton Gate	60	Chiswell Street	EC1	Office	201,666	FH			Confidential			Gaw Capital	Brookfield
Capital House	85	King William Street	EC4	Office	125,590	FH			£130.50M	N/A	£1,039	DWS	Barings
Angel Square		Islington High Street	EC1	Office	131,878	FH			£86.50M	VP	£656	Derwent	Tishman Speyer
Holborn Central	88	Kingsway Kingsbourne House	WC1	Office	67,707	LLH	123		£52.00M	N/A	£768	Aprirose	Eido Hagag

City Yields

Graph 3



Source: Savills and MSCI

Savills contacts

Please contact us for further information

Henry Timmis

Director
City Investment
020 7409 8915
htimmis@savills.com

Paul Bassi

Associate Director
City Investment
020 7299 3044
pbassi@savills.com

Will Wilson

Analyst
Research
020 7409 8791
will.wilson@savills.com

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