

City Investment Watch



Highest City Q1 investment volume on record

Strong appetite from a global audience drove investment volumes for City of London commercial property to the highest levels on record in Q1 2022 with the total transaction volume for the quarter reaching £3.8bn across 36 deals, 27% higher than the previous record in Q1 2007 and reflecting a year-on-year increase of 540% on Q1 2021. March was the busiest month of the quarter with 20 deals reaching exchange of contracts totalling £2.731bn, reflecting an average lot size of £136.5m. What is clear is London continues to be seen as a global ‘safe haven’ and the City has an enduring ability to attract global capital in uncertain periods despite geopolitical and inflationary headwinds.

On behalf of a private Asian client, Savills advised on the sale of one of the City of London’s last remaining true tower development sites, 70 Gracechurch Street. Acquired for c.£300m in a joint venture between Stanhope and Cadillac Fairview, 70 Gracechurch Street is located on the corner of Gracechurch Street and Fenchurch Street, two of the City of London’s key thoroughfares. The office accommodation is single let to XL Catlin Services SE (wholly owned by AXA) until July 2028 with the retail accommodation let to Marks and Spencer Plc until April 2027 providing a total passing rent of £12,750,000 per annum, reflecting £59.58 per sq ft overall. 70 Gracechurch Street has the benefit of planning permission for the construction of a 32-storey tower providing 552,000 sq ft of best in class office, retail, public gallery and ancillary accommodation. The proposed scheme comprises a trio of linked tapered glass towers elevated above a stepped podium reaching 155 metres in height.

In Q1, Savills advised Northwood Investors on the disposal of their 50% interest in 20 Gracechurch Street to Aviva Investors. Situated in a highly prominent position fronting Gracechurch Street, the property comprises 301,644 sq ft of office, retail and ancillary accommodation arranged over three lower ground, ground levels and 16 upper floors. The building forms a key part of the London skyline and has the potential for a future redevelopment to more than double the existing NIA

and create a new landmark 44 floor tower of approximately 700,000 sq ft.

In the second largest single asset transaction on record in the City, the freehold interest in UBS’s headquarters at 5 Broadgate was acquired by LaSalle Investment Management on behalf of NPS at the beginning of March for £1.21bn, reflecting a net initial yield of 3.60% and a capital value of £1,704 per sq ft. Located in Broadgate Circle, 100m from the entrance to Liverpool Street station, the building comprises approximately 710,000 sq ft office accommodation arranged over 13 storeys. The property is let in its entirety to UBS for a further 13.25 years unexpired at a passing rent of £44,318,000 per annum reflecting £60.47 per sq ft. The rent is subject to annual RPI-linked uplifts at a collar and cap of 0% - 4% per annum.

In another sizeable transaction in the quarter, 5 Fleet Place was sold by Poly Real Estate to Hong Kong based Manhattan Garments for £191.20 M reflecting a net initial yield of 3.99% and a capital value of £1,465 per sq ft. The freehold property comprises 130,500 sq ft of office and ancillary accommodation and is multi-let to three tenants with Charles Russell Speechlys occupying 79% of the accommodation until December 2031.

As we move into the second quarter of the year, there is a continued weight of capital targeting opportunities in the City office market and we expect another active quarter with Savills tracking 13 properties over £100m currently available and 7 deals over £100m under offer at the end of March 2022.

Savills City prime yield stands at 3.75% which compares to the West End prime yield of 3.25%. The MSCI City average equivalent yield currently stands at 5.31%, while the net initial yield is 3.37%.



£3.8bn

Q1 2022 turnover across
36 transactions



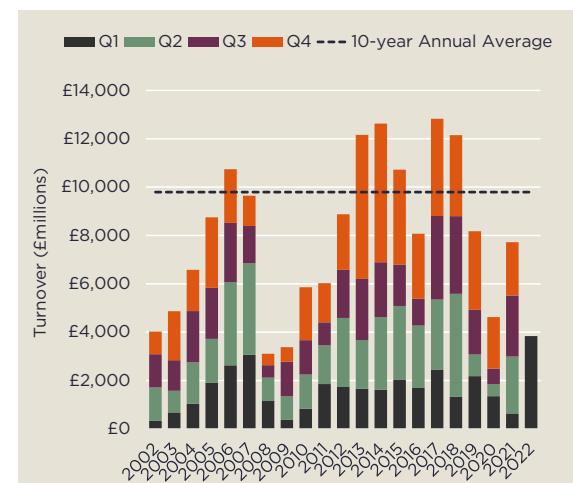
London continues to be viewed as a
‘safe haven’ for global capital



7 buildings currently under offer are valued over **£100.0m**

City Q1 investment turnover

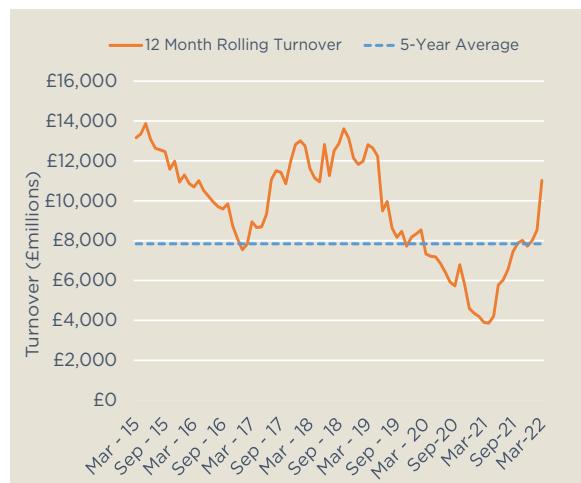
Graph 1



Source: Savills

City 12-month rolling investment turnover

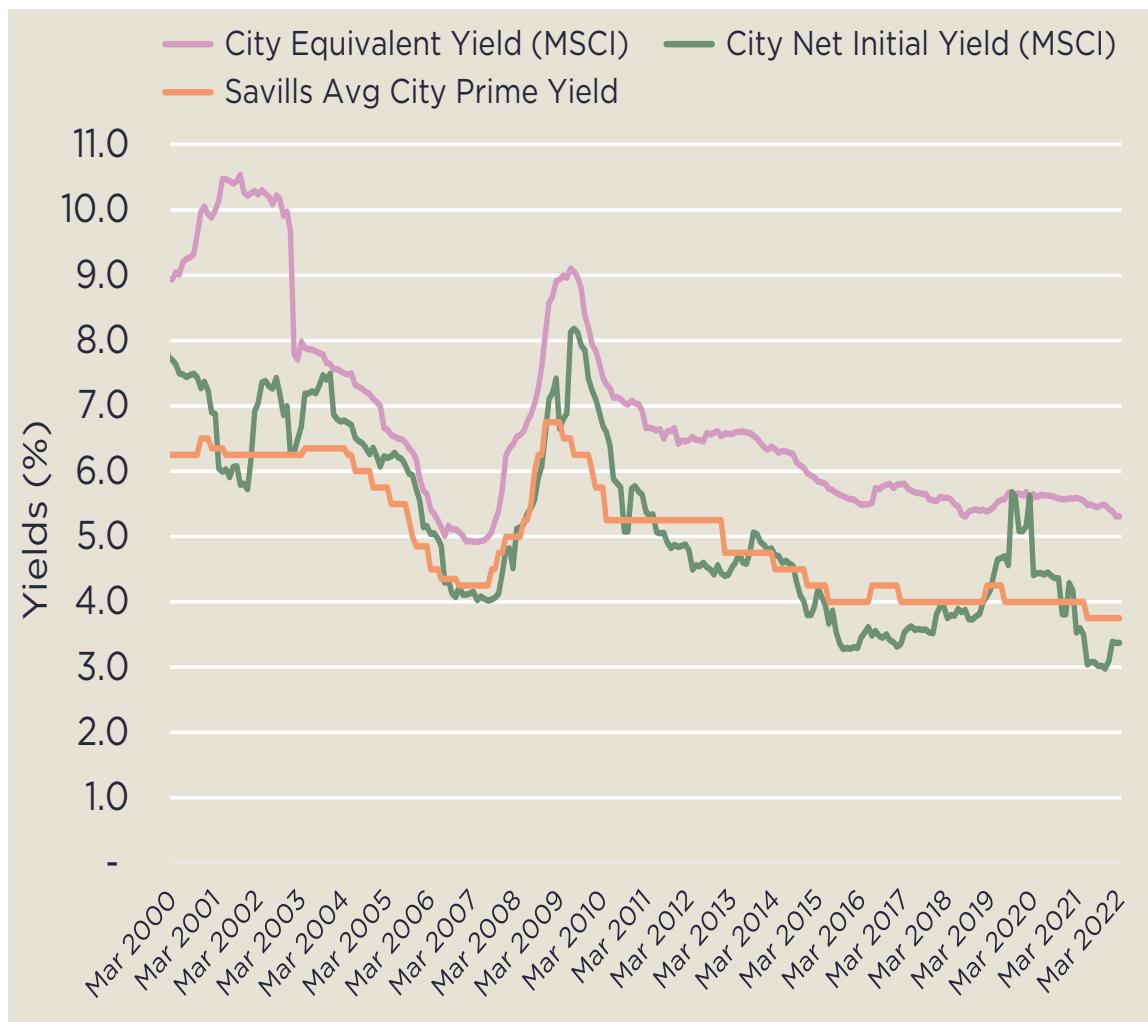
Graph 2



Asian investors accounted for **65%** of Q1 investment turnover

City Yields

Graph 3



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