

# City Investment Watch



## July's spike in investment echoes improved market sentiment

July saw £445.35M transact in the City, 5% more than the whole of Q2 (£423.10M). This is significantly higher than that achieved in June (£61.40M) but 53% down on the same time last year (£953.00M). July's total is the largest monthly figure since lockdown, indicating the market might be beginning to show some signs of recovery. Investment volume for the year reached £2.28Bn, which is 44% down on the same point last year (£4.04Bn).

July's investment volume can be attributed to just four transactions, similar to that of June (3), May (4) and April (3). A total of 14 transactions in the last four months compares with 36 deals during the same period last year, highlighting the consistent lack of stock that has been available on the market since the outbreak of COVID-19.

In the largest transaction of the month, and to date in 2020, The Cabot, 25 Cabot Square, E14 has been acquired by Hong Kong based LINK REIT for £380.00M, reflecting a net initial yield of 4.87% and £789 per sq. ft. The building was first marketed in November 2019 and was under offer to Blackstone pre-COVID-19 at similar pricing, highlighting the robust nature of the City market. The freehold office building occupies a substantial 1.7 acre island site in the heart of the Canary Wharf estate and is multi-let to four office and four retail tenants, with almost 50% of the income secured to Morgan Stanley and 30% to the Government. The total passing rent of £18,840,766 p.a. reflects £39.10 per sq. ft. with a WAULT of 11.7 years to expiries and 10.4 years to breaks.

In their second deal since lockdown La Francaise Forum acquired 17-18 Hayward's Place, EC1 for approximately £15.25M, reflecting a net initial yield of 4.20% and a capital value £1,400 per sq. ft. Located in close proximity to Clerkenwell Green, a short walk from Farringdon station, the former warehouse underwent a comprehensive refurbishment in 2018 and is fully let to three tenants having achieved full occupancy within 3 months of practical completion. The building provides a WAULT of approximately 7.3 years and a

passing rent of £711,204 which reflects approximately £65.40 per sq. ft. overall.

There is circa £2.43Bn of stock currently under offer across 19 transactions, approximately 26% of which was placed under offer during the course of the past month. Most recently, we understand Brookfield's One London Wall Place, EC2 is under offer to a Middle Eastern investor having reportedly been close to going under offer in March to a Korean party for circa £500.00M, reflecting a net initial yield of 3.63% and a capital value of £1,603 per sq. ft.

The increase in investment volume is indicative of the improved sentiment currently, which has seen 9 new opportunities marketed in July exceeding £1.50Bn in total. We are currently tracking approximately £2.92Bn of available stock across 42 transactions.

The rise in availability can be attributed to the accessibility of real estate after the relaxing of lockdown restrictions, increased certainty in pricing now the RICS Material Uncertainty Leader Forum have lifted the constraints for Central London offices and landlords feeling reassured having witnessed strong investor interest and pricing from sales processes across the risk spectrum.

Looking forward, the market naturally slows over the summer period and we anticipate volumes remaining relatively subdued in the short term. Recent Covid resurgences in Hong Kong and Spain threaten to enforce further travel restrictions. Having said that, we anticipate investor interest to increase as commercial real estate in London continues to look an attractive option against other principal European cities and alternative asset classes.

Savills Prime City Yield remains at 4.00% and the West End prime yields remains 3.75%. The MSCI equivalent yield has hardened slightly on last month and currently stands at 5.63%, while the MSCI net initial yield has softened slightly to 4.42%.



July saw **£445.35M** transact over 4 transactions



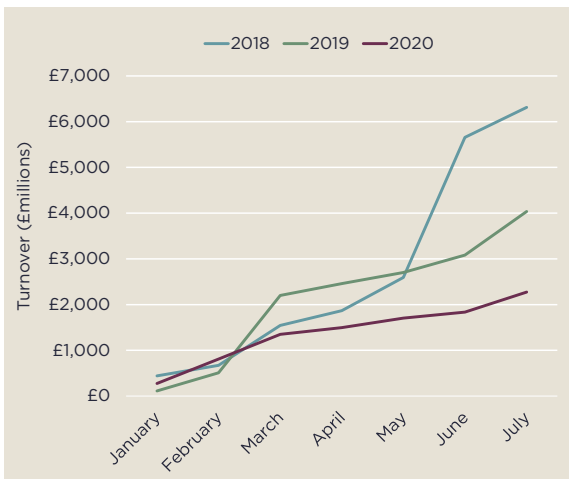
At **£380M** The Cabot is the largest deal (by lot size) to date in 2020



Institutional investors have accounted for the greatest proportion of turnover to date with **£858.65M** or 38% of volume

### City cumulative investment turnover

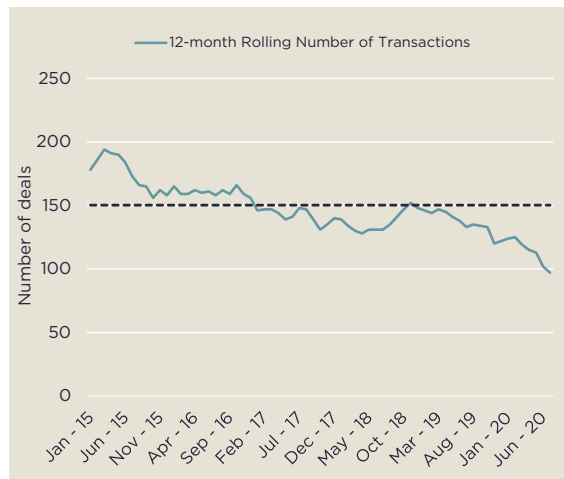
Graph 1



Source: Savills

### City 12-month rolling number of transactions

Graph 2



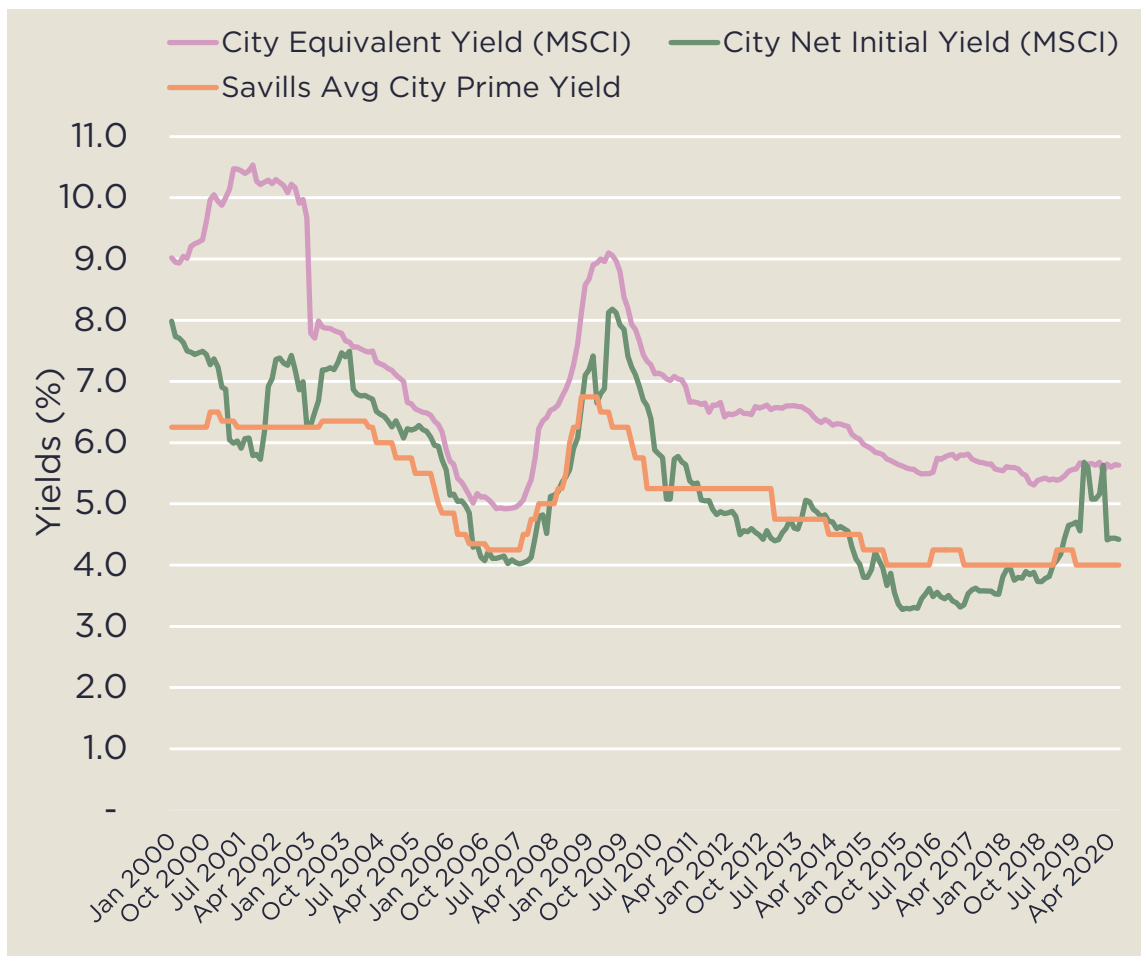
European investors have accounted for **49.5%** of total transactional volume amounting to **£1.12Bn**

## Key deals in July 2020

Address				Sector	Area Sq ft	FH			Price (£ millions)	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/X term	Gearing					
The Cabot	25	Cabot Square	E14	Office / Retail	481,866	FH	-	-	£390.0 M	4.75%	£809	Hines Global REIT	LINK REIT
	6	Brewhouse Yard	EC1	Office	35,020	FH	-	-	£29.60 M	3.32%	£845	Canada Life	CBREGi
	17 - 18	Haywards Place	EC1	Office	10,875	FH	-	-	£15.25 M	4.37%	£1,402	Atlas Properties	La Francaise Forum
	23 - 27	Alie Street	E1	Office	18,732	FH	-	-	£10.50 M	-	£572	Travelers Insurance Company	Private US Investor

## City yield graph

Graph 3



Source: Savills and MSCI

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