

City Investment Watch



Dip in investment activity leaves c.£3.5Bn to exchange in December

November saw £139.54M transact in the City, lower than the £50.20M for October but in line with that achieved in September (£144.70M). Total investment volume as at the end of November amounts to £3.11Bn. In comparison, November 2019 saw £400.58M transact in the City with the annual volume approximately double at £6.48Bn.

November's monthly volume was across five transactions, in line with the monthly average so far this year. The spread ranges from nine deals in March to just two in both August and September.

In the most significant transaction of the month, Royal London AM exchanged contracts on the sale of the freehold interest in Eden House, 8 Spital Square, E1 to Global Holdings following a competitive bidding process. We understand the price is in the region of £51.00M, reflecting a capital value of £866 per sq. ft. The building is located in the heart of Spitalfields, occupying a prominent corner position overlooking Bishops Square. The building comprises 58,885 sq. ft. of office accommodation arranged over lower ground, ground and five upper floors. The property was offered with full vacant possession.

In another notable transaction, Telephone House, 268-270 High Holborn, WC1 was acquired off market by a private investor for £44.00M, reflecting a net initial yield of 3.22% and a capital value of £649 per sq. ft. The freehold building, which was first marketed in September 2019 prior to being withdrawn, comprises an existing telephone exchange of 67,803 sq. ft. arranged over basement, ground and four upper floors. The building is let to BT Plc until 21 November 2031 and is subject to a tenant's rolling break option at any time after 1 January 2021, on 6 months' notice. The building provides a passing rent of £1,675,354 per annum (£24.71 per sq. ft.), which is subject to annual RPI rental uplifts, with a minimum of 2% and a maximum increase of 3% per annum.

Our last Investment Watch was published as the UK entered "Lockdown 2.0" impacting travel and working arrangements, and dampening investor sentiment. Such uncertainty seems to be having a negative impact on pricing for the more secondary assets with existing or forthcoming vacancy.

Six new assets were marketed last month, approximately half that of both October (14) and September (11), taking the total volume of stock currently available in the City to c.£6.08Bn. The latest swathe of restrictions, come at a time when commercial real estate markets are historically entering the busiest period of the year. With time running out until year end and the usual quieter Christmas period, we anticipate many sales will fall into 2021. Vendor's are hopeful the encouraging news of multiple vaccines now entering into commercial production will instil confidence across the markets resulting in improved pricing.

While there has been a fall in the number of assets marketed, there has been an increase in the volume of stock under offer at c.£3.54Bn across 21 transactions. In the unlikely event everything under offer exchanges, we could see a total volume of c.£6Bn, which would be 27% down on that achieved in 2019.

Those investors not already engaged in transactions are beginning to look forward to 2021 as they begin to review their investment strategies. We anticipate the City will continue to be at the top of many investor's wish list as they search for best in class real estate in an undersupplied occupational market, whilst benefitting from comparative value and yield to competing markets.

As explained, due to the strength in the core market, Savills Prime City Yield remains at 4.00% for the 17th consecutive month and the West End prime yield has come in 25bps to currently stand at 3.50%.



November saw **£139.54m** transact over five deals



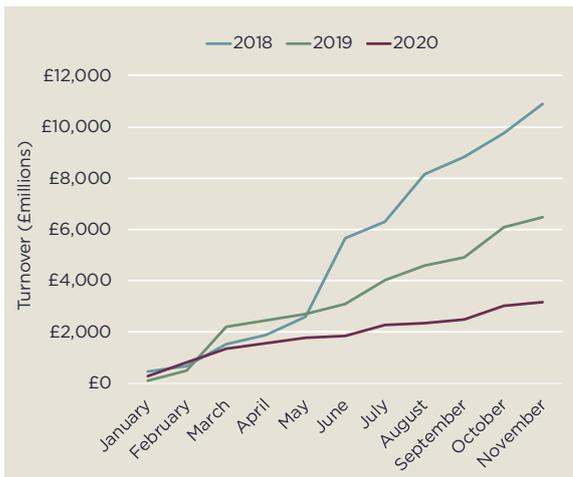
There have been **54 transactions** so far this year compared with **101** over the same period last year



Institutional investors have accounted for the greatest proportion of turnover to date in 2020 with **£1.61bn** or 51% of volume

City cumulative investment turnover

Graph 1



Source: Savills

City 12-month rolling number of transactions

Graph 2



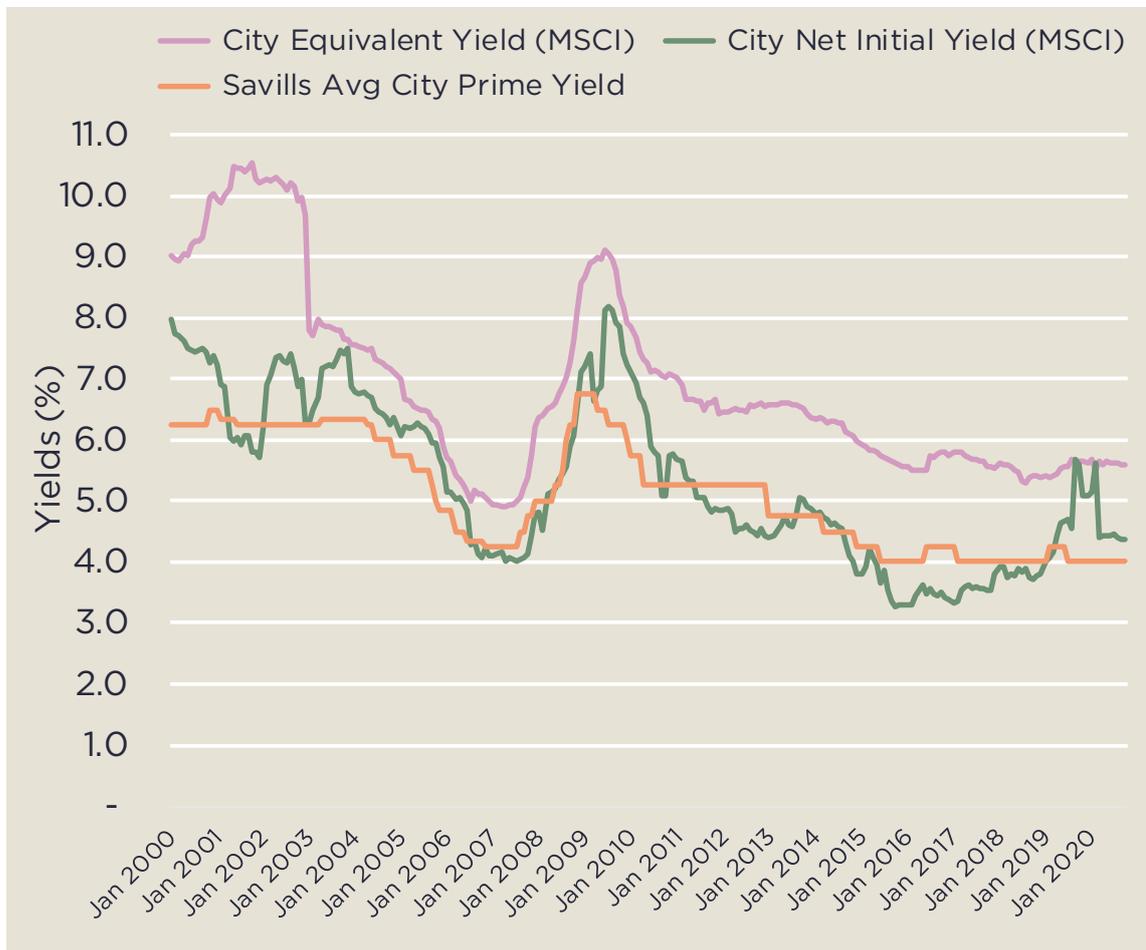
European investors have accounted for **39%** of total transactional volume amounting to **£1.24bn**

Key deals in November 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					
Eden House	8	Spital Square	E1	Office	58,885	FH			£51.00 M	-	£866	Royal London Asset Management	Global Holdings
Telephone Exchange	268-270	High Holborn	WC1	Office	67,803	FH			£44.00 M	3.22%	£649	Columbia Threadneedle	Private Investor
Stylus	116	Old Street	EC1	Office	27,826	LLH	134	12.50%	£24.94 M	5.50%	£896	Private Investor	Aviva
Knight's Quarter	14	St John's Lane	EC1	Office	19,665	FH			£17.60 M	-	£895	Private Investor	Private Investor

City yield graph

Graph 3



Source: Savills and MSCI

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