

City Investment Watch



Slow start to 2021 as Lockdown 3.0 restricts investor activity.

January is often subdued in comparison to other months as investors typically pause to take stock, reflect on the previous year and refine their investment strategies for the forthcoming year. This year was no different albeit the fall in activity was exacerbated by “Lockdown 3.0”. The latest government restrictions, which were imposed on 4th January in the hope of reducing the infection rate of Covid-19 and its more contagious sibling, have caused many investors to pause sales and watch patiently until inspections can be undertaken again as the market returns to some normality.

January saw just one transaction in the City amounting to £30.96M, significantly down on that achieved in December (£1.18Bn) and January 2020 (£273.80M). For reference, there were six transactions in January 2020 and four in January 2019 (£111.25M).

January’s deal, Boundary House, 7-17 Jewry Street, EC3 has been acquired by hoteliers Rudolf and Christian Ploberger for a price reflecting a capital value of £688 per sq. ft. from GR Properties. The building is located in the south eastern quarter of the City of London, where the traditional insurance district meets the emerging eastern fringe around Aldgate. The freehold property is situated on the west side of Jewry Street, close to the junction with Fenchurch Street to the north and Crutched Friars to the south, a short walk to Fenchurch Street and Aldgate stations. The property comprises a 45,062 sq. ft. multi-let office building arranged over ground and seven upper floors as well as basement car parking. The building offers short-term income with a redevelopment opportunity to refurbish and extend the property to provide circa 75,500 sq. ft. of accommodation, subject to the necessary consents.

As predicted in last month’s *City Investment Watch*, vendors have largely adopted a ‘wait and see’ approach with only one new asset marketed in January totalling £38.50M, bringing the total volume of buyable stock to £5.30Bn across 65 assets. We anticipate very little new stock to be formally marketed until

the current restrictions are eased so investors can travel and inspect real estate again.

With limited new opportunities, investor attention has been on assets that failed to sell in 2020; we are aware of seven instances where historic sales have gone under offer in January amounting to approximately £678.00M. We estimate there is currently in the order of £2.30Bn under offer across 19 transactions, which compares with £1.50Bn across 14 transactions at the same point a month ago.

Interestingly, those assets that have gone under offer in January are all value add / development opportunities illustrating a fundamental confidence in the City in the medium to long term. In each case, however, a challenging occupational market has impacted pricing and resulted in vendors having to reconsider their expectations in order to successfully agree terms.

Despite current government measures, investor sentiment remains resolute, especially given the promising vaccination process being undertaken across the country. As the rate of inoculation increases, which is reportedly far ahead of many other European countries, investors are beginning to focus their attention towards the end of the pandemic when London will seemingly be towards the top of many international investors wish lists.

When restrictions are eased, many expect the CRE markets to recover quickly, buoyed by the wider economic performance during Q3 last year when UK GDP grew by a record 15.50%, the largest quarterly expansion in the UK economy since 1955.

Savills City Prime yield remains at 4.00%, which compares with the West End prime yield of 3.50%. The MSCI net initial yield currently stands at 3.81%, and the average equivalent yield currently stands at 5.57%.



January saw volume of just **£30.96M** transact in **1 deal**



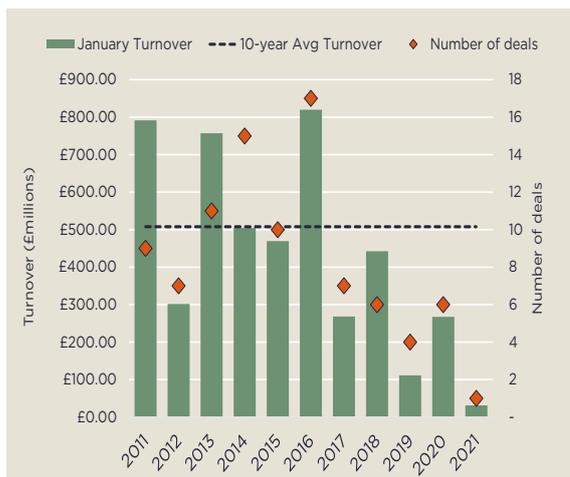
Savills Prime City yield remains at **4.00%** for the **19th** consecutive month



£678.00M across **7 assets** placed under offer in January

January investment turnover

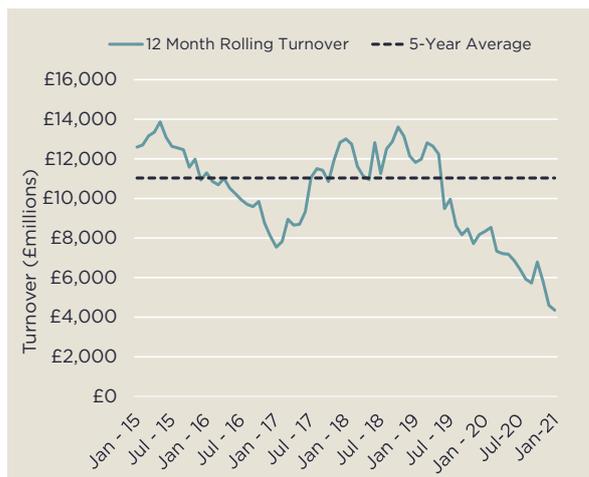
Graph 1



Source: Savills

Rolling annual investment turnover

Graph 2



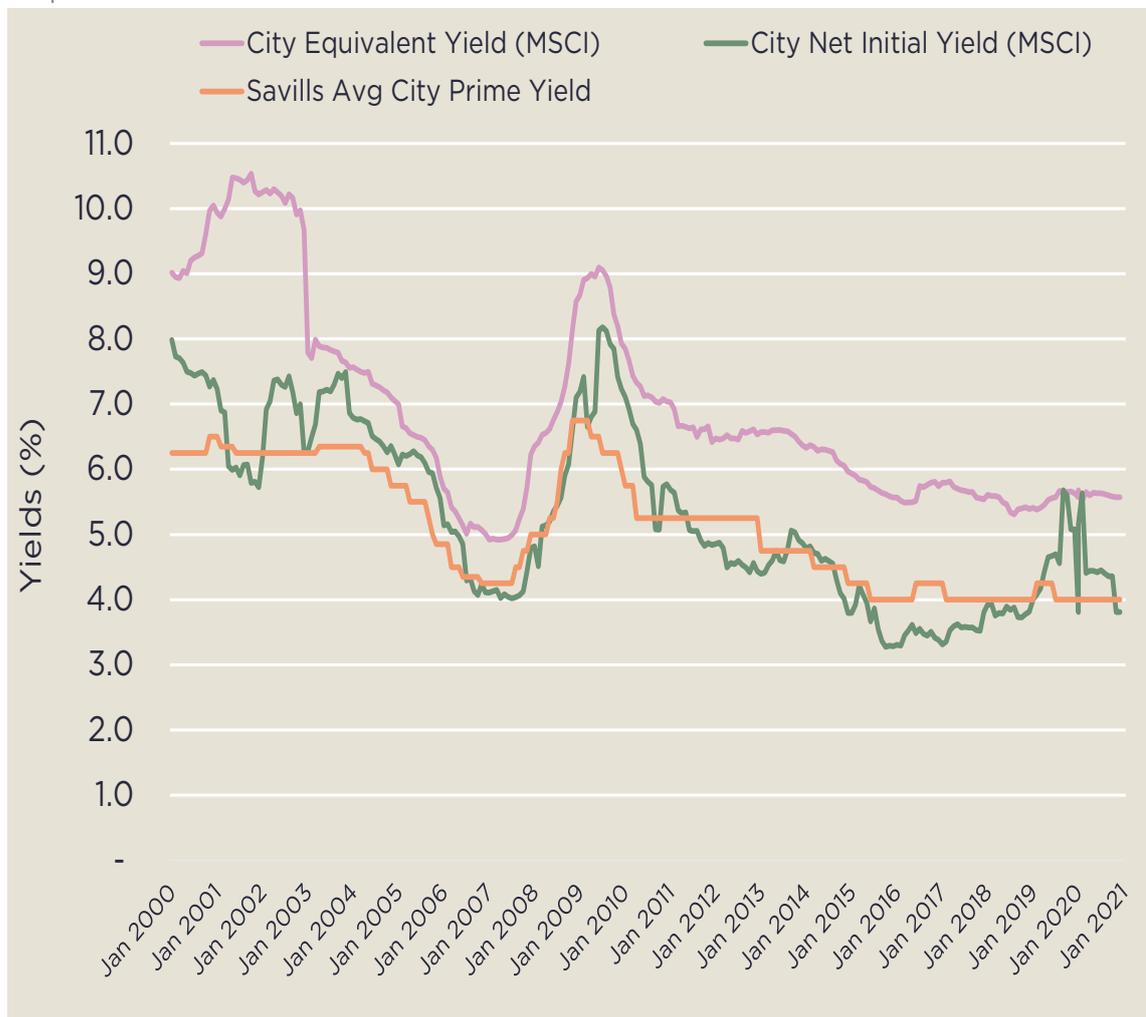
1 new opportunity amounting to **£38.50M** formally marketed during January

Key deals in January 2021

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					
Boundary House	7 - 17	Jewry Street	EC3	Office	45,062	FH			£30.96 M	N/A%	£688	GR Properties	Private European Investor

City Yields

Graph 3



Source: Savills and MSCI

Savills contacts

Please contact us for further information

Richard Bullock
Director
City Investment
020 7409 8006
rabullock@savills.com

Will Richards
Associate
City Investment
020 7409 8059
wrichards@savills.com

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

Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange.

We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

