

City Investment Watch



A record Q1 predicted for 2022

December was the busiest month of 2021 with 15 buildings trading. This flurry of activity saw £890.70M transact, taking the overall volume for the year to £7.72 BN across 91 deals. This is 68% ahead of 2020 turnover where only £4.59 BN transacted. Despite this significant uplift, volumes were still low in a historic context being 20% below the 10 year average for turnover of £9.68 BN. This was mainly due to the UK being in 'full lockdown'.

The overall turnover for 2021 was slightly below our November year-end prediction of £8.0BN, however as predicted we have entered 2022 with a significant amount of stock under offer. Assets such as 5 Broadgate, 5 Fleet Place and 90 Highborn did not exchange before the year-end, meaning we enter 2022 with £3.20 BN of assets under offer. As such Savills stand by its prediction that Q1 2022 has the potential to be the largest Q1 ever recorded within the City market.

In the highest profile transaction of the month, Brookfield acquired 20 Churchill Place, E14 for £245.0M reflecting a net initial yield of 5.86% and a capital value of £680 per sq ft. The virtual freehold building was sold by M&G having been originally marketed in January 2019. The property comprises 360,401 sq. ft. of office and ancillary accommodation and is single let to State Street Bank until December 2028, providing a WAULT of 7 years. The contracted rent, which is subject to fixed annual uplifts approximately £15.37 million per annum, reflecting £42.65 per sq. ft. overall. The acquisition of 20 Churchill Place was the Canadian giants 3rd in the City market in 2021 taking their overall investment to £1.10 BN.

Another notable transaction in December saw Helical acquire 100 New Bridge Street, EC4 from Alduwaliya in an off market transaction for £160.0M reflecting a net initial yield of 4.44% and a capital value of £951 per sq ft. The virtual freehold building is located on the eastern side of New Bridge Street in close proximity to Blackfriars and Farringdon stations. The property comprises 168,267 sq. ft. of office, retail and ancillary accommodation arranged over basement, ground and eight upper floors. The entire office accommodation is let

to Baker McKenzie LLP until December 2023 at a passing rent of approximately £6.8 million per annum reflecting £43.10 per sq. ft. The law firm has already committed to new premises at 280 Bishopsgate.

A theme which continued throughout 2021 was the level of off market activity, Helical's acquisition of 100 New Bridge Street being a clear example of this. December also saw PGIM acquire C Space, City Road from Meadow Partners and Endurance/Nan Fung acquire 99 City Road from London and Regional both through off market transactions. In fact 67% of total transactional volume in 2021 was 'off market' or through closed targeted sales process'. The key driver for off market activity was undoubtedly a lack of openly available assets for sale, forcing investor to hunt for properties off market. Savills advised on £1.50 BN of off market transactions in 2021, 30% of all off market deals in the year.

Another theme which emerged in 2021, was the number of larger lot sizes which transacted. By year-end there were 24 buildings which sold with a value over £100.0M, totaling £5.57 BN, 72% of total transactional volume for the year. This was short of the 2017 record, where deals over £100.0M accounted for 76% of total transactional volume. As we enter 2022 there are currently 9 deals over £100.0M under offer, including 5 Broadgate (reportedly under offer at £1.25 BN), meaning the theme of larger deals is set to continue in 2022.

With their activity in December North American investors maintained their top spot for the most active buyer group in the City acquiring £2.55 BN across 12 transactions, 35% of total volume. UK investors took 2nd place, acquiring £1.86 BN worth of transactions, 24% of total volume. European buyers followed closely behind acquiring £1.66 BN worth of buildings, 22% of transactional volume.

Savills 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 5.42%, while the net initial yield is 2.98%.



£7.72 BN
total annual turnover for 2021



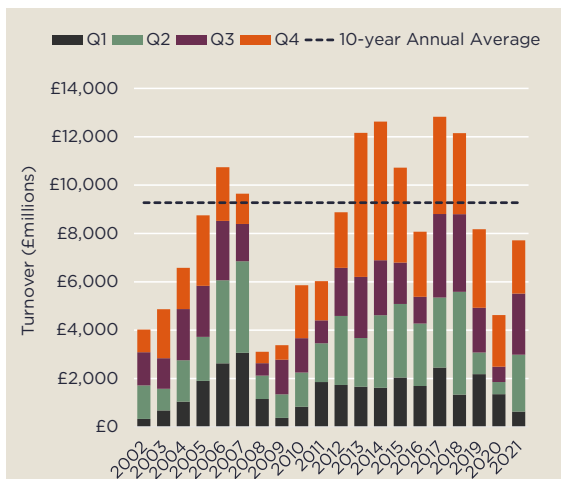
35%
North American investors the most active in the City



72% of transactions in 2021 valued over £100.0M

City annual investment turnover volume

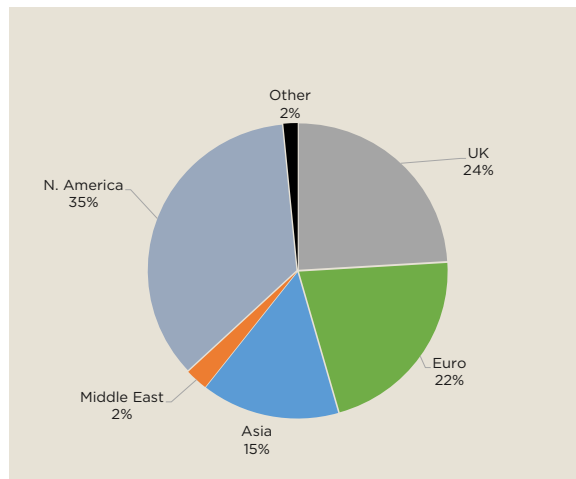
Graph 1



Source: Savills

2021 Purchaser nationality (by volume)

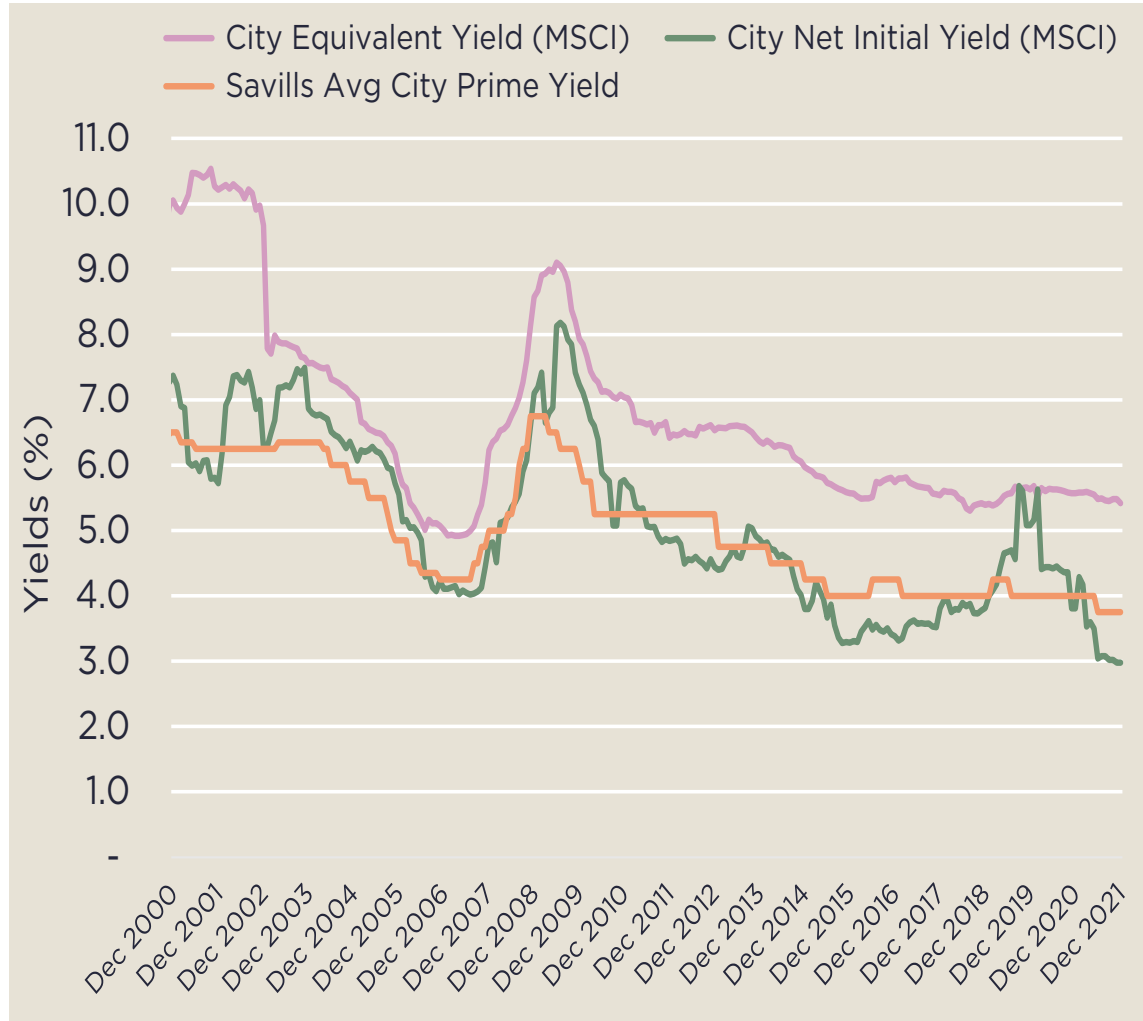
Graph 2



£3.20 BN of stock under offer

City Yields

Graph 3



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 7409 3044
pbassi@savills.com

Will Wilson

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

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