

City Investment Watch



February saw the largest City transaction since March 2019

February saw another active month as investors pressed on to close deals which were marketed in Q4 2021. There were 5 transactions in the month totalling £838.70M, reflecting a 140% increase by volume on February 2021. Savills are tracking £3.22Bn of stock under offer and a further £5.38Bn available. Savills January investment watch predicted that Q1 2022 has the potential to achieve the highest Q1 turnover ever recorded in the City market and we see no reason to change this view as there are 5 transactions over £100 million anticipated to exchange contracts throughout March.

In the largest transaction in February, the iconic tower, The Scalpel, was acquired by Ho Bee Land for £718.00M reflecting a net initial yield of 3.98% and a capital value of £1,768 per sq ft. Developed and partially occupied by WR Berkley the building is a striking office tower located in the heart of the EC3 Tower Cluster. Comprising 406,000 sq ft of office accommodation arranged over 38 storeys, the building is approximately 90% let to tenants including WR Berkley, Chaucer, Morrison & Foerster and Convex Group at a passing rent of £29.08M per annum reflecting £71.62 per sq ft and weighted average unexpired lease term to expiry of 9.5 years.

In another notable deal in February, Savills advised Orchard Street Investment Management in the disposal of the long leasehold interest in 30 King Street, EC2 to Chevalier International Holdings for £45.9M, reflecting a net initial yield of 4.30% and a capital value of £1,295 per sq ft. The property is located in the core of the City of London, less than 250m from the Bank of England and comprises 35,433 sq ft of office and ancillary accommodation arranged over 8 storeys. Multi-let to five tenants, the property has a WAULT of 6.7 years to expiries and 4.9 years to breaks and provides a highly diversified income stream with occupiers from the professional, legal and financial sectors.

We noted in the January investment watch the rise in the UK inflation rate and this theme continued to be one of the key issues at the forefront of our clients' minds throughout February. Geopolitical pressures have added to the widely reported inflationary pressures across the construction market and this raises the question as to whether developers are able to pass on the increase in costs to tenants through higher rents for new and refurbished buildings.

London's continued status as a global 'safe haven' remains steadfast in more uncertain periods and with that in mind we expect to be able to report over the next month a number of high profile deals closing including 5 Broadgate, EC2, which is reportedly due to exchange imminently for approximately £1.21Bn, reflecting a net initial yield of 3.60% and a capital value of £1,704 per sq ft.

At the end of February 2022 there are currently 8 deals over £100.0M under offer which continues the theme of there being greater appetite from global investors for larger lot sizes. The sale of The Scalpel and 5 Broadgate, which is due to exchange imminently, suggests the fog which has been lingering over the market in the last two years is starting to lift as confidence returns.

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 5.31%, while the net initial yield is 3.37%



£838.70M
February turnover
across **5** transactions



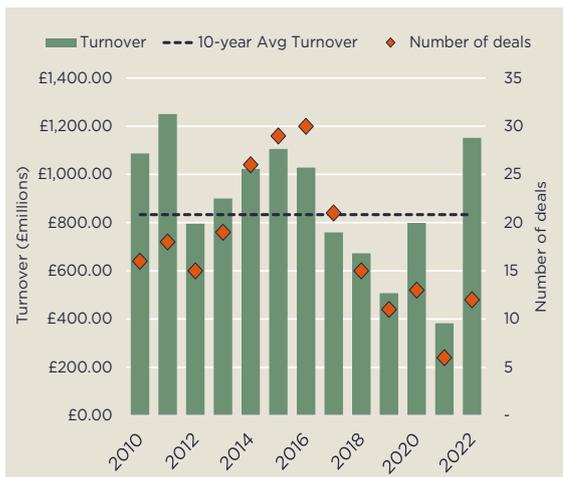
The Scalpel was
acquired by Ho Bee
Land for **£718.00M**, in
the largest transaction
of 2022 so far



8 buildings currently
under offer are valued
over **£100.0M**

City year-to-date investment turnover (Jan-Feb since 2010)

Graph 1



Source: Savills

City 12-month rolling investment turnover

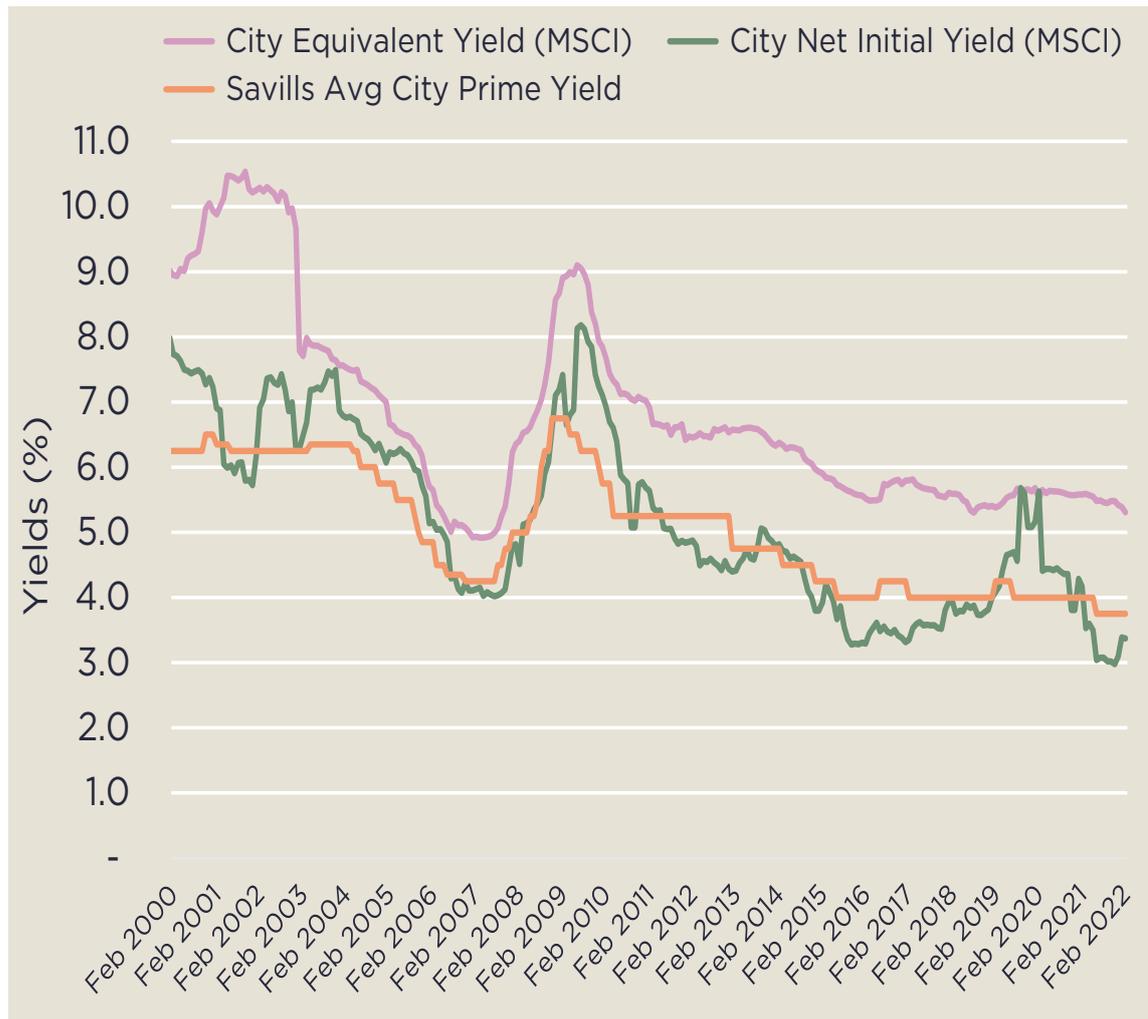
Graph 2



£3.22Bn of stock under
offer

City Yields

Graph 3



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