

City Investment Watch

£1.35BN comes to the market signalling a busy final quarter

November 2018

Market comment and notable deals

■ City investment turnover across October saw eight transactions totalling £853.15M, the third highest monthly turnover in 2018 to date. Total investment volume for the year now stands at £9.47BN across 101 transactions. This is 7.6% up on the same period in 2017, where only £8.8BN had transacted and the highest turnover recorded to the end of October. Furthermore, we are entering traditionally the most active period of the year for City investment. The 5 year average investment volume for the final two months of the year is £3.68BN across 33 transactions.

■ Despite the record levels of investment to date, total annual turnover is likely to be constrained by a lack of available stock. Savills are currently monitoring £2.3BN of openly available properties across 35 transactions, which compares with the £6.8 BN across 53 properties at the same stage in 2017. The last two months in 2017, saw over £3.80 BN transact across 37 deals, with 13 buildings trading over £100.0M.

■ In the largest transaction of the month Blackstone sold the freehold interest in 125 Old Broad Street, EC2 for £385.0M, reflecting a Net Initial Yield of 4.6% and a capital value of £1,170 per sq ft. This was Blackstone's third sale of the year, taking their total disposals for 2018 to £974.0M. The property was redeveloped in 2008 and provides 329,182 sq ft of office, retail and ancillary accommodation. The asset is multi let to 21 office tenants and 3 retail tenants, providing a topped up passing rent of £18.0M per annum reflecting a rent of £54.70 per sq ft overall. The building was acquired by Singaporean developer City Developments Ltd (CDL) and is their second acquisition of 2018.

■ In another notable transaction, Ella Valley Capital acquired the long leasehold interest in 55 Gresham Street, EC2 for £179.0M, reflecting a Net Initial Yield of 3.95% and a capital value of £1,472 per sq ft. The Fletcher Priest designed scheme provides Grade A office accommodation across 8 storeys totalling

121,569 sq ft. The property was pre-let in its entirety to Investec Asset Management on a new 15 year term at a rent of £65.75 per sq ft overall. This was Ella Valley Capital's second acquisition of 2018.

■ October signalled an increase in availability and has seen over £1.35BN of stock across 21 transactions being formally launched to the market. This reflects 60% of total availability and includes prime trophy assets such as Aberdeen Standard's 100 Cheapside, EC2 (Q. £136.00 M, 4.25% & £1,336 per sq ft) and Morgan Capital and AOG Real Estate's newly developed 45 Cannon Street, EC4 (Q. £146.00 M, 4.25% & £1,581 per sq ft).

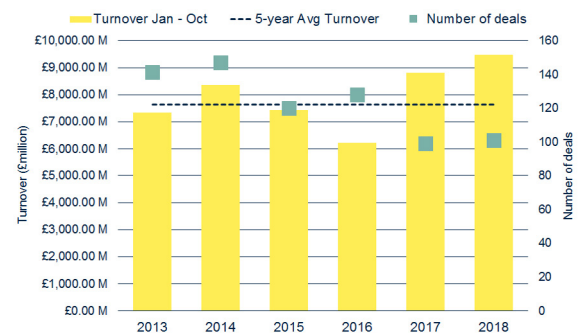
■ Savills are seeing continued demand for Prime Trophy Assets, from both domestic and overseas investors. This is clearly demonstrated by the sale of One Bartholomew Lane, EC2 which is reportedly under offer in excess of 4.0% (NIY).

■ Asian investors continue to account for the largest share of investment, with 57% of total volume to date, having spent £5.42BN across 23 transactions. An interesting development in 2018, has been the re-emergence of Singaporean Investors who have now transacted £1.376BN across five transactions accounting for 15% of total turnover, and are now leading Hong Kong investors as the 2nd largest investor group from Asia Pacific. This is the highest volume of investment from Singaporean investors since 2013 when GIC Private Ltd acquired a 50% stake in Broadgate Estate, EC2 for £1.70BN.

■ Our prime City yield remains at 4.0% which compares with the West End prime yield of 3.25%.

GRAPH 1

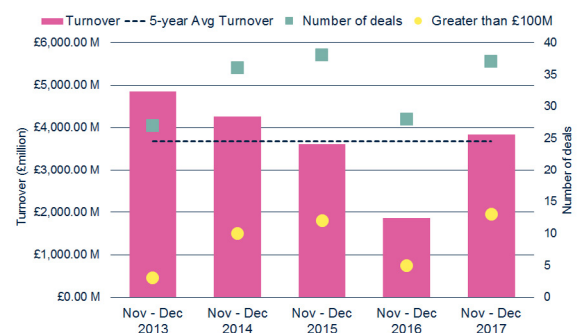
City investment volumes (to October)



Graph source: Savills

GRAPH 2

City turnover for the last two months of the year



Graph source: Savills

GRAPH 3

2018 Asia/Pacific investment into the City

Nationality	£ Volume	No. of Deals
South Korean	£1,954.50 M	4
Singaporean	£1,376.00 M	5
Hong Kong	£1,227.20 M	4
Mainland China	£717.10 M	9
Japanese	£154.00 M	1

Graph source: Savills

TABLE 1
Key deals in October 2018

Address				Sector	Area Sq ft	Tenure			Price	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/x term	Gearing					
	125	Old Broad Street	EC2	Office / Retail	329,182	FH			£385.00 M	4.59%	£1,170	Blackstone	CDL
	55	Gresham Street	EC2	Office	121,569	LLH	148.5	10.00%	£179.00 M	3.95%	£1,472	Beltane / Angelo Gordon	Ella Valley Capital
	1	Kings Arms Yard	EC2	Office	56,071	LLH	123	£5,000	£58.30 M	4.66%	£1,040	Amundi	London & Oxford (Goldstone)
Defoe Court	44	Featherstone Street	EC1	Office	43,146	FH			£31.60 M	4.69%	£732	Amundi	LBS
	2	Copthall Avenue	EC2	Office / Retail	30,833	LLH	110	10.00%	£24.00 M	5.63%	£778	Amundi	London & Oxford (Goldstone)

Table source: Savills

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