

City Investment Watch



Transactional activity begins to build as we head into Q4

September saw £144.70M transact in the City of London, higher than August's volume of £44.35M but lower than this point last year (£334.60M) and 71% below the 10-year average for September of £491.00M. September's total brings the Q3 investment volume to £636.91M across nine transactions, which is 23% up on Q2 2020 but 66% down on Q3 2019 (£1.85Bn). Total investment volume for the year currently stands at £2.48Bn, which compares with £4.92Bn at this point in 2019.

This month's volume is across just two transactions highlighting investor caution in what is widely perceived an uncertain market since the outbreak of COVID-19 and more recently the reignited Brexit negotiations, which have taken a back seat despite a deal having meant to be agreed by 15 October 2020.

CLI Dart River acquired their second asset this year (the first being Eldon House, 2-3 Eldon Street, EC2 in May for £40.00M) in Liberty Place, 4-12 Norton Folgate, E1 (formerly Bishopsgate Court), which comprises a vacant building situated in a prominent corner position at the junction of Norton Folgate and Folgate Street on the City's northern fringe. The building secured planning permission in July 2019 for a new 62,764 sq. ft. office-led scheme arranged over basement, ground and seven upper floors. The Bard Family sold a new 150 year leasehold interest for £30.50M, reflecting £486 per sq. ft. on the proposed scheme.

During September 11 new assets were formally marketed, 27% higher (by number) than both August and July, contributing to a total of £2.91Bn of assets currently buyable in the City. As new assets have been marketed they have been consistently welcomed with a wall of repressed capital. There have been competitive bidding processes on four assets (compared with five in August) which has resulted in an increase in stock going under offer; we estimate there is approximately £2.95Bn of stock under offer across 21 transactions, which is largely consistent with August (£2.44Bn across 20 transactions)

and July (£2.43Bn across 19 transactions). Q4 is typically the busiest quarter of the year and we have already begun to see increased investor focus from both vendors and purchasers hoping to transact before year end.

Of the available stock, approximately 61% (by number of deals) would be categorised as Core / Core Plus opportunities. This can in part be attributed to the fact the core market has proved to be extremely resilient with current pricing remaining robust. While the Value Add and Development stock, which comprises 24% and 16% of the market respectively, has remained popular, the variety of assumptions applied to appraisals could result in the gap between prime and secondary stock increasing.

The desperate measures to control the spread of COVID-19, such as travel and quarantine restrictions have impacted the make-up of buyers of Commercial Real Estate in the City. Asian investors have accounted for the largest proportion of inbound transactional volume with 31% on average over the last five years. So far in 2020, Asian investors account for only 27% of volume, behind European investors who comprise 47% of volume.

September saw the government encourage employees back to the office and in doing so offering a lifeline to many City landlords as well as the retail and hospitality sector that office workers support. Unfortunately, however, as we predicted last month, with a rise in the infection rate across the country the government has been forced to take further social-distancing measures that could hit confidence and result in restricting market activity.

While there has been a lack of market activity, the evidence pricing for prime stock has remained robust. Savills prime City yield remains at 4.00% for the fourteenth consecutive month and the West End prime yield remains at 3.75%.



September saw **£144.70m** transact over two deals



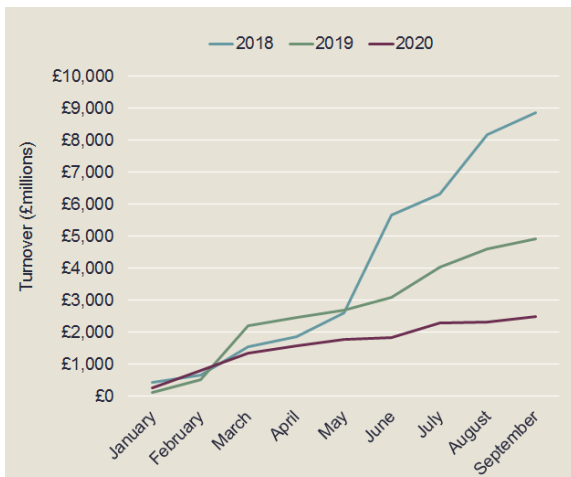
Q3 transactional volume reached **£636.91m** across nine transactions



Institutional investors have accounted for the greatest proportion of turnover to date in 2020 with **£1.03bn** or 41% of volume

City cumulative investment turnover

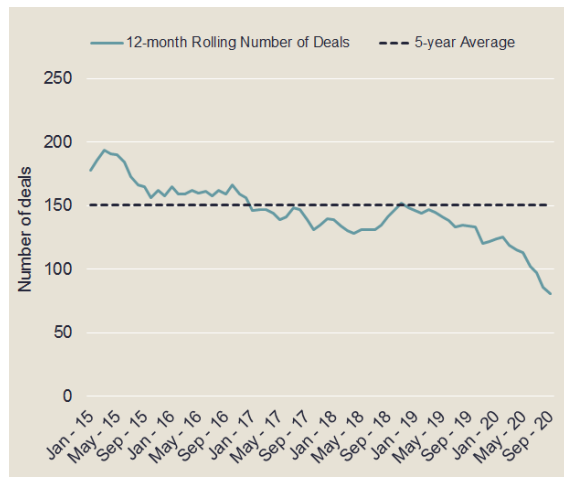
Graph 1



Source: Savills

City 12-month rolling number of transactions

Graph 2



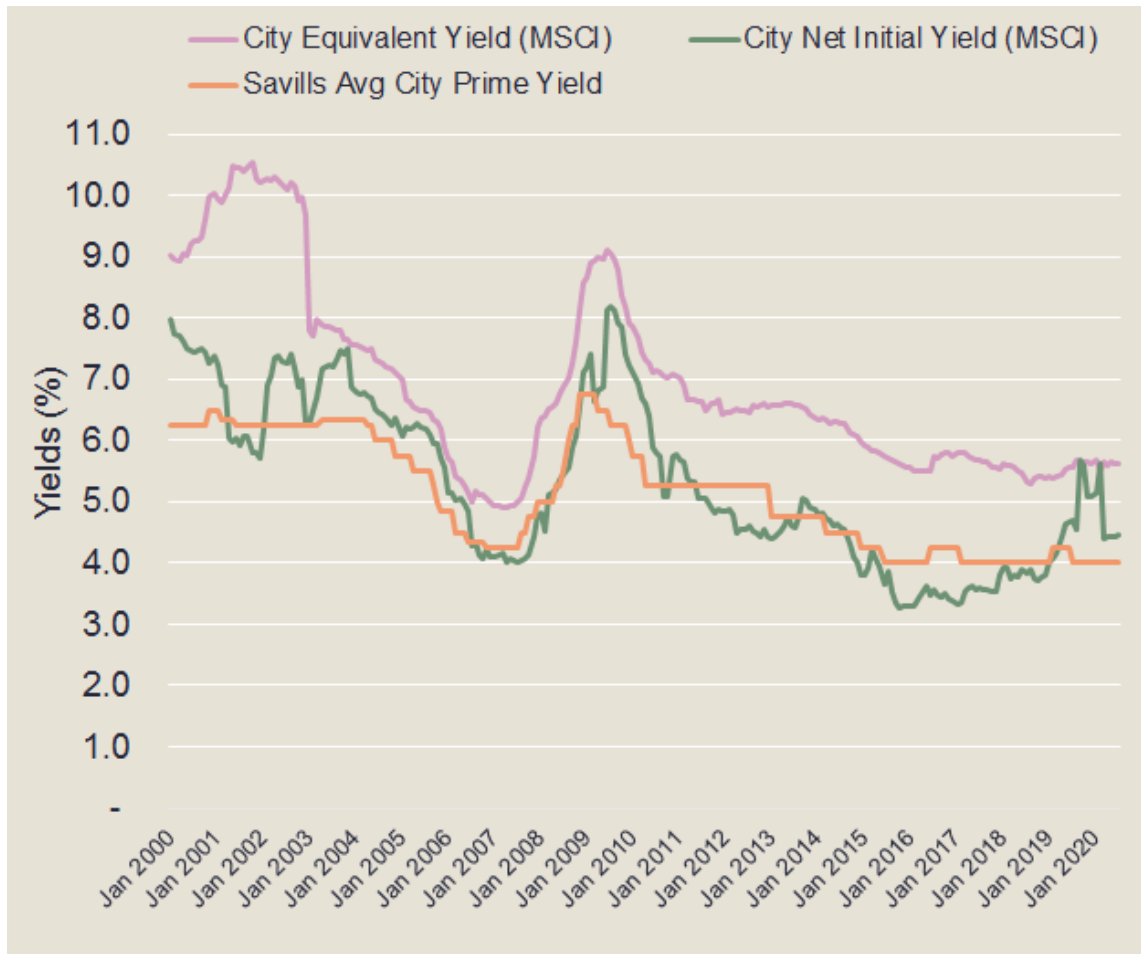
European investors have accounted for **47%** of total transactional volume amounting to **£1.17bn**

Key deals in September 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					
Liberty Place	4-12	Norton Folgate	E1	Office	62,764	LLH	150	8.50%	£30.50M	-	£486	The Bard Family	CLI Dart River

City yield graph

Graph 3



Source: Savills and MSCI

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