

City Investment Watch



A record September, as the market prepares for a busy year end

September saw 12 transactions totalling £1.013 BN, the largest September ever recorded in the City market and the 2nd largest monthly turnover for the year (to date). Transactional volumes for September 2021 were 7 times more than those achieved in the same month last year when only 2 buildings traded (£144.70M), highlighting a clear change in investor appetite in 2021. Total investment for the year now stands at £5.35 BN across 60 deals, which is 117% ahead of the same point in 2020, when there had only been 43 transactions totalling £2.45 BN. Q3 2021 investment totalled £2.34 BN across 26 deals, significantly ahead of Q3 2020 when only £640.0M traded and 14% ahead of the 5 year average for Q3 investment which is £2.05 BN.

As we enter the final quarter of the year there is currently £2.15 BN under offer across 18 deals, with a further 62 buildings being openly marketed totalling £4.20 BN. As predicted in our previous market reports, September did signal a change in the number of assets being brought to the market, however availability continues to be dominated by larger properties (£100.0M+) with £3.35 BN, 80% of total availability, accounted for within the top 10 deals (by lot size).

In their first acquisition in the City for over 10 years, JP Morgan acquired 160 Old Street, London EC1 from The Great Ropemaker Partnership in an off market transaction for £181.50M which reflected a stabilised net initial yield of c.4.5% & a capital value of £1,082 per sq ft. The freehold building is located on a prominent location on the corner of Old Street and Bunhill Row, less than 200m from Old Street roundabout. The property was newly developed in 2018 and provides 166,300 sq ft of office and ancillary accommodation. 70% of the income is derived from global media corporation Turner Broadcasting.

In another notable transaction for the month, the Korean-US consortium of National Pension Service of Korea (NPS), Hines and Lipton Rogers Developments acquired 18 Blackfriars Road, SE1. The freehold 2.0 acre site on London's

South Bank comprises a 1.2m sq ft mixed use development. The site benefits from detailed planning consent for a Wilkinson Eyre designed scheme which includes a 32-storey office building, a 53-storey residential tower and a 324 key hotel. The consortium acquired the site for approximately £200.0M and is the first purchase in the UK for NPS and Hines' new \$1.5bn build-to-core venture.

A trend which has emerged across 2021 is the undoubted demand for value add/development opportunities within the City market. Investors continue to be attracted to these type of opportunities within the City, taking advantage of a continually pre-let development pipeline, but also identifying a shortage of 'best-in-class' office buildings within the market, which meet modern occupiers required sustainability standards. Investors have identified an opportunity to upgrade 'old stock' to meet the new market leading ESG standards. 50% of all transactions in September were for development/value add buildings and Savills most recent experience with transactions of this type have highlighted a significant depth in investors actively bidding on assets which fit this profile. In September Savills sold 1 Golden Lane, London EC1, a 100,000 sq ft+ value add opportunity on behalf of a private Singaporean investor to Castleforge for £75.0M, following a competitive sales process.

September saw a return to the market for Asian investors with NPS's acquisition of 18 Blackfriars Road, being 1 of 4 acquisitions from Asian buyers in the month, taking their total investment into the City to £1.15 BN across 7 transactions, 22% of total volume. European investors are now the leading buyer group in the City, acquiring over £1.47 BN worth of buildings across 12 deals accounting for 29% of total volume.

Savills prime yield now stands at 3.75% which compares to the West End prime yield of 3.25%. The MSCI City average equivalent yield currently stands at 5.45%, while the net initial yield is 3.02%.



£1.013 BN
Highest September on record



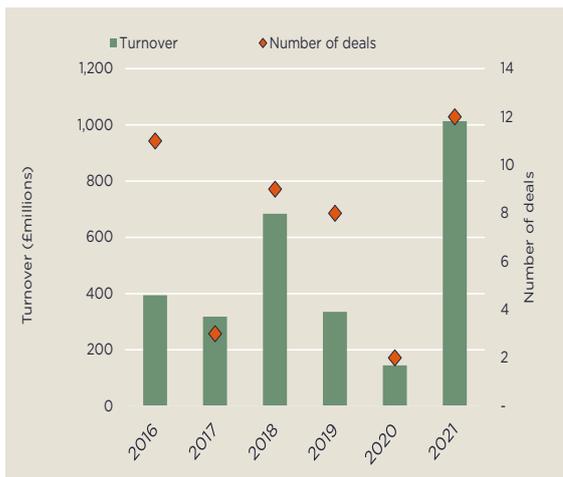
£2.15 BN under offer as we enter the final quarter of the year



17 transactions over **£100.0M** so far this year

September investment volume

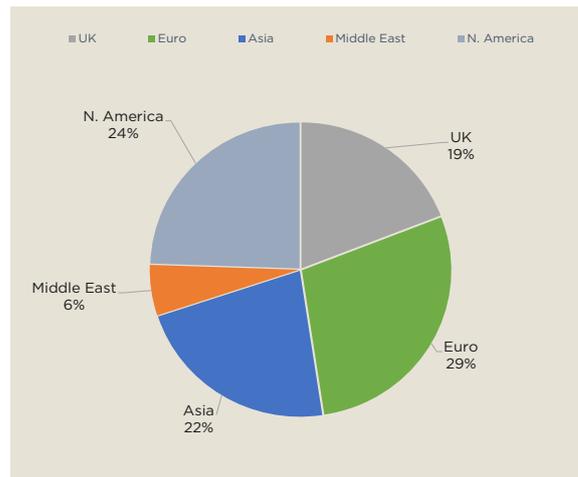
Graph 1



Source: Savills

Purchaser nationality (by volume)

Graph 2



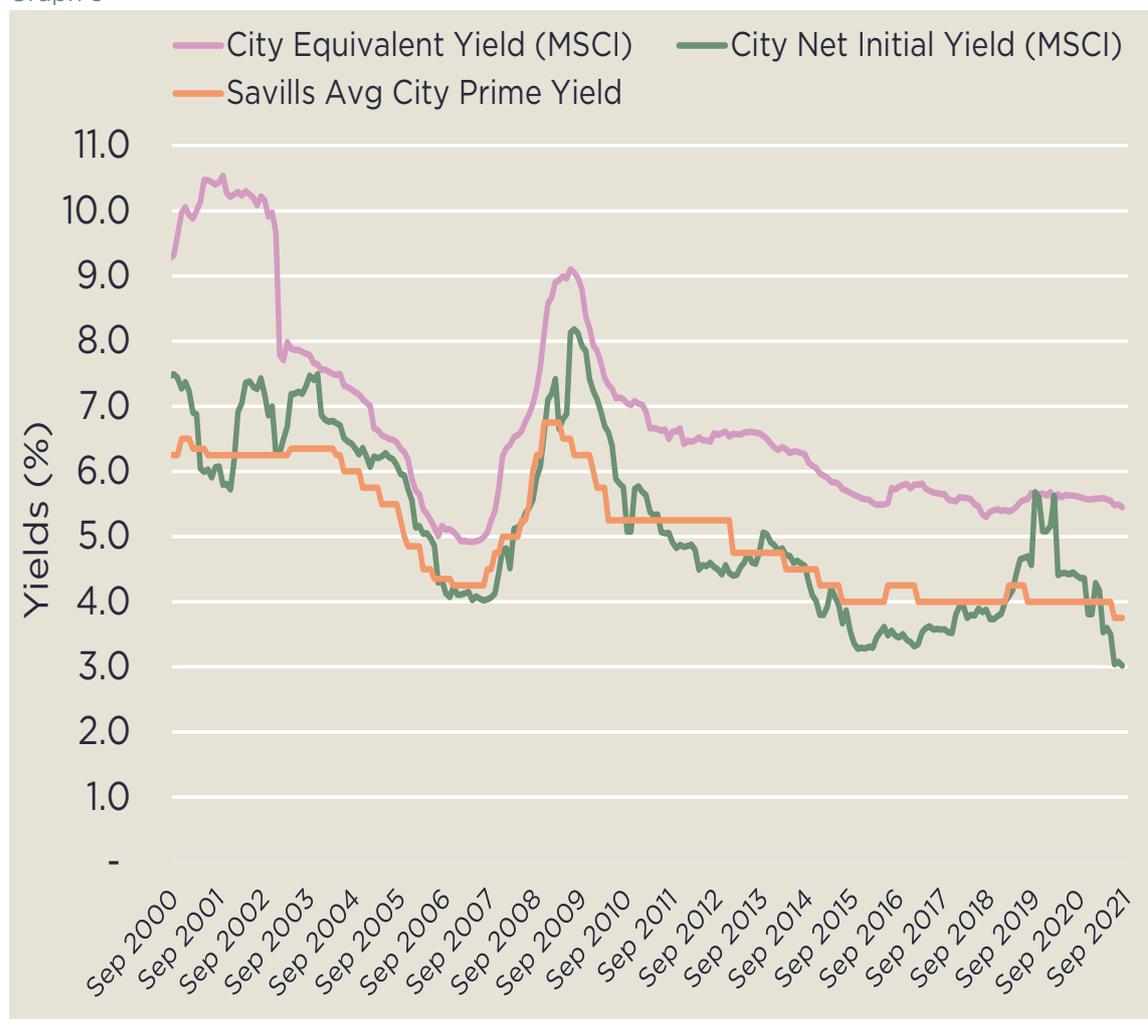
European investors lead the way with **29%** of total volume

Key deals in September 2021

Building Name	Address			Sector	Area Sq ft	FH			Price (£ millions)	Yield	CV/sq ft	Vendor	Purchaser
	No	Street	PC			FH/LH	U/X	Gearing					
The Stamford	18	Blackfriars Road	SE1	Office	730,000	FH			c.£200.00M	Confidential		Black Pearl	Hines, NPS & Lipton Rogers
	160	Old Street	EC1	Office	166,624	FH			£181.50M	c4.50%	£1,082	The Great Ropemaker	JP Morgan
	3	Bunhill Row	EC1	Office	101,516	FH			£100.00M	4.42%	£985	Rajhi Invest	Oryx
	1	Golden Lane	EC1	Office	106,892	FH			£75.00M	-	£702	Private Investor	Castleforge

City Yields

Graph 3



Source: Savills and MSCI

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