

City Investment Watch



The market gears up for a busy Q4, as larger assets continue to prove attractive

August saw 3 transactions totalling £537.0M, the 4th largest monthly turnover in 2021 (to date) and a significant improvement on August 2020 when only £44.0M transacted. Total investment for the year stands at £4.29BN across 47 deals, an 85% increase on this point last year when only £2.30BN had transacted. Investment volumes for the whole of 2020 reached only £4.59 BN, with £1.60BN under offer as we enter September 2021 we anticipate 2021 numbers to exceed 2020 before the start of Q4, traditionally the busiest quarter of the year.

As we enter September there are currently 41 buildings being openly marketed, totalling £3.40 BN. As London's workforce returns to offices, reportedly the first Monday of September saw a 20% increase in tube passengers, Savills anticipates a busy end to 2021. As with previous months, August continued to see a low number of new properties launched with only 2 buildings marketed. However September has already marked a potential change with 4 properties released to the market in the first week and Savills are aware of further assets being prepared for sale.

A theme which has emerged in 2021 has been the number of larger assets (£100.0M+) being sold, with an average lot size for the year of £91.0M compared with only £67.0M across the whole of 2020 and a 5-year average of £72.60M. So far this year we have already seen 12 transactions over £100.0M accounting for 76% of total turnover. At the writing of this report we are aware of a further 6 (£100.0M+) properties under offer and 7 being openly marketed totalling approximately £3.5BN. In fact, 82% of current availability is for assets with a value in excess of £100.0M. The record for number of large transactions for a single year was in 2017 when 34 buildings traded totalling £9.8BN.

In a notable transaction for August, Aviva acquired Curtain House, Curtain Road London EC2 for £42.0M which reflects a capital value of £775 psf. The Grade II listed, mixed-use former warehouse totals 54,141 sq ft arranged over basement, ground

and four upper floors. The accommodation is split into 40,426 sq ft of warehouse-style office accommodation and 13,018 sq ft GIA of restaurant and bar space on the ground and lower ground floor. Vacant possession of the offices is achievable by August 2022. Aviva acquired the property for their new Climate Transition Fund.

In the years first major owner occupier transaction Heatherwick Studio acquired 55 Argyle Street, WC1. The former Diesel HQ is located a short walk from Kings Cross station and provides 27,655 sq ft of office accommodation across lower ground, ground and 3 upper floors. The property was originally marketed to let, however received significant interest from owner-occupiers and investors and was sold for £30.0M which reflects a capital value of £1,085 per sq ft.

European investors are now the leading buyer group within the City, acquiring £1.45BN worth of assets accounting for 34% of total volume. Despite the UK unlocking and allowing foreign travel, overseas investors are still having to navigate quarantining when returning home. This has been particularly the case for investors from Asia Pacific countries and it is therefore no surprise that investors from this region have been less active in the City market in 2021. Asian investors have only acquired 3 buildings in 2021, and 8 since Q2 2020. Far Eastern Investors had been the number one buyer group in the City market in 2017 and 2018.

Savills prime yield now stands at 3.75% which compares to the West End prime yield of 3.25%, a 50 bps yield shift in comparison. The MSCI City average equivalent yield currently stands at 5.49%, while the net initial yield is 3.08%.



£91.0M

Average deal size in 2021



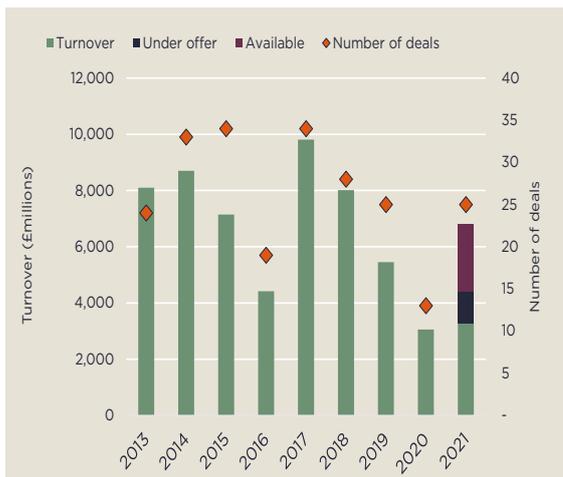
Savills advised on **87%** of transactions by volume in August



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

Transactions over £100.0M

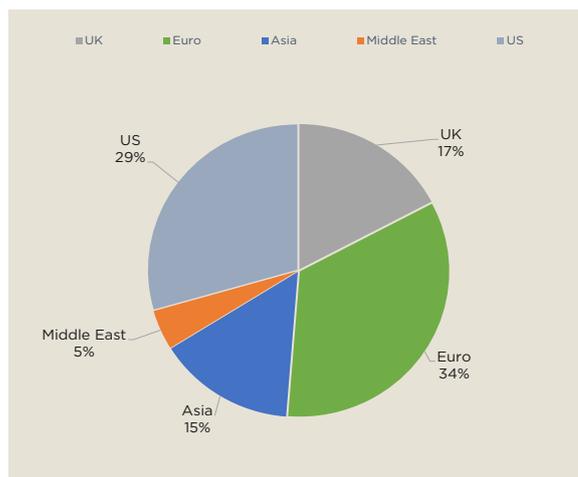
Graph 1



Source: Savills

Purchaser nationality (by volume)

Graph 2



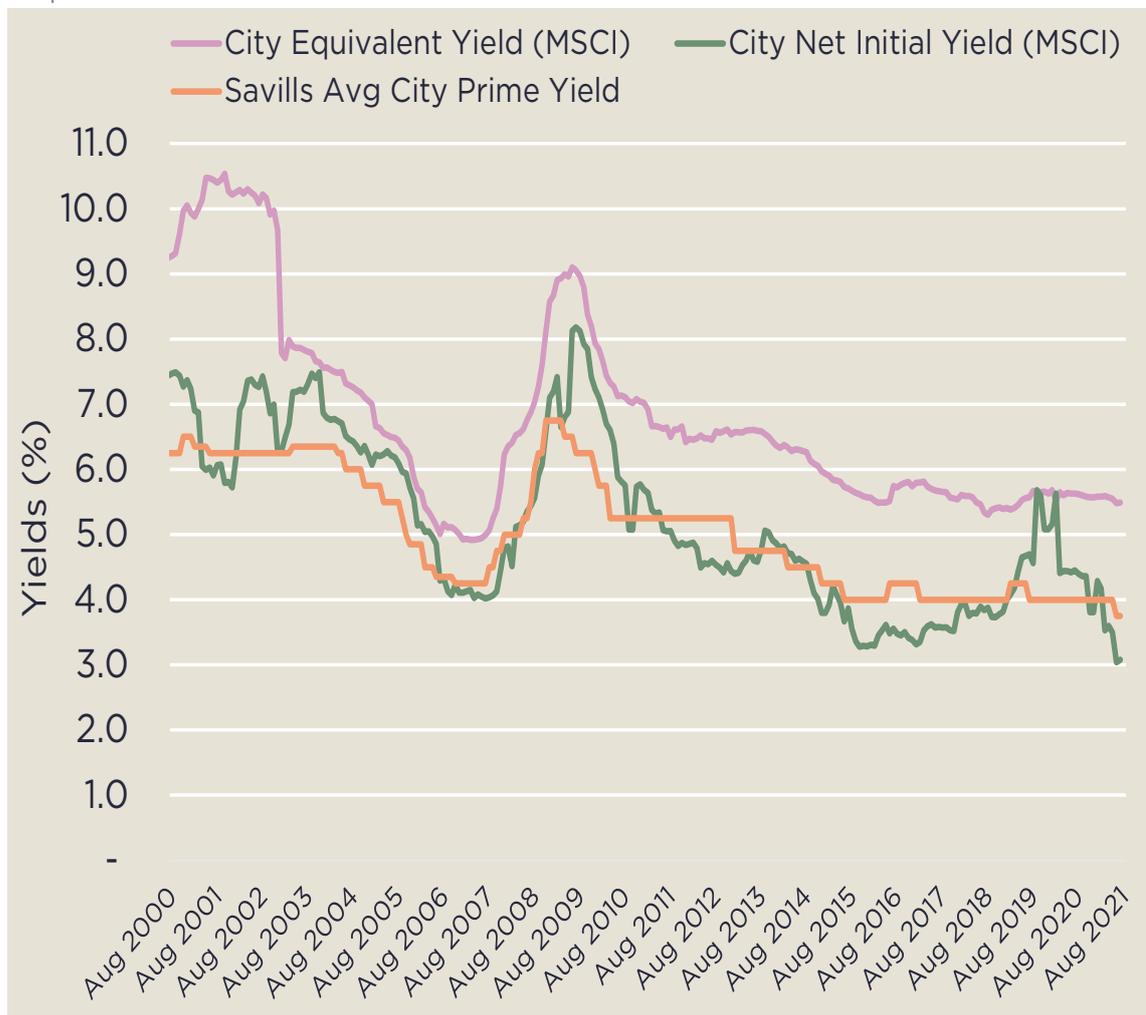
European investors lead the way with **34%** of total volume

Key deals in August 2021

Address				Sector	Area Sq ft	FH			Price (£ millions)	Yield	CV/sq ft	Vendor	Purchaser
Building Name	No	Street	PC			FH/LH	U/X	Gearing					
Curtain House	134-146	Curtain Road	EC2	Office	51,141	FH			£42.00M	-	£775	Highbridge Estates	Aviva
	55	Argyle Street	WC1	Office	27,665	FH			£30.00M	-	£1,085	Red Circle Investments	Heatherwick Studio

City Yields

Graph 3



Source: Savills and MSCI

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

Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange.

We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

