

City Investment Watch

2016 activity anticipated to accelerate with circa £2.7bn under-offer

March 2016

Market comment and notable deals

■ February turnover was £128.35m across 5 deals. This brings year-to-date total City turnover to £840.75m, which is 32% down on this point last year (Graph 1).

■ The 12-month rolling turnover for the City is currently at £10.4bn, which is 41% up on the long-term average (Graph 3).

■ In the City market, we are currently monitoring 77 investment opportunities totalling £5.4bn. Of this, we are aware 26 are currently under-offer totalling circa £2.7bn, leaving an estimated £2.7bn worth of available investment opportunities.

■ We are also aware of at least another 30 properties that could potentially be available for sale within the City. The combined total of these would be circa £3.5bn.

■ A notable deal from February was the purchase of Central House, 59-63 Whitechapel High Street, E1 for circa £50m, £511/sq ft. This was a sale and lease-back from London Metropolitan University to Frasers Property UK. The university leased the property back at nil rent for 18 months, before the new owners will look to refurbish/redevelop the building.

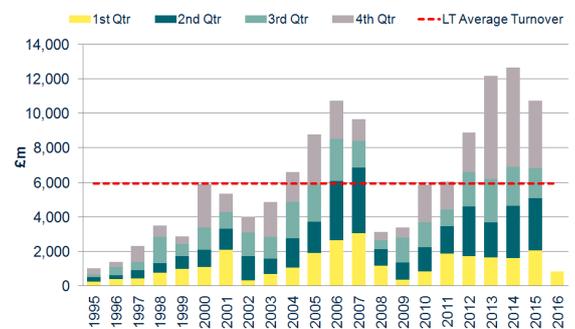
■ Another notable deal which completed in February was the purchase of Bridge House, 4 Borough High Street, SE1 for £29.5m, 4.01% NIY and £833/sq ft. The 35,421 sq ft multi-let property was bought by GMS from City & General (Marcol).

■ Of the 18 transactions completed so far this year, only six are within the City core, however, they have accounted for 57% of the total transactional volume.

■ To date in 2016 UK purchasers have accounted for 90% of all transactional volume. Asian, European, Middle-Eastern and American purchasers make up the remainder, accounting for 2 - 3% each. It is certain this will change significantly in the coming months with Asian and American purchasers generally targeting the larger lot sizes (Graph 2).

■ Savills prime City yield remains at 4%, which is an all time record low (Graph 3). Moreover, the spread between the City and the West End remains at 100bps with the West End prime yield at 3%.

GRAPH 1
City turnover



Graph source: Savills

GRAPH 2
City 2016 turnover by nationality

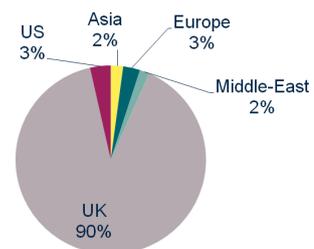


Chart source: Savills

GRAPH 3
12-month rolling turnover & prime yield

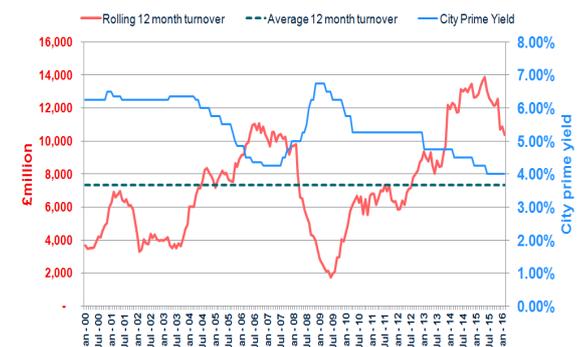


Chart source: Savills

TABLE 1
Key deals in February 2016

Address	Postcode	Sector	Area (sq ft)	Tenure	Price	Yield	Vendor	Purchaser
Central House, 59-63 Whitechapel High Street	E1	Other	97,850	FH	£50.00 M	-	London Metropolitan University	Frasers Property UK
Bridge House, 4 Borough High Street	SE1	Office / Retail	35,421	FH	£29.50 M	4.01%	City & General (Marcol)	GMS
39 Cornhill	EC3	Office	20,475	FH	£24.00 M	2.90%	Private Investor	Private Investor
53 Great Suffolk Street	SE1	Office	30,000 (Consented)	vFH	£16.00 M	-	Threadneedle	Morgan Capital

Table source: Savills

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