INSIGHT

Central London office analysis

Q1 2021

Occupier market

Things are looking up. After a relatively active March, take-up in Central London has rebounded significantly after five consecutive quarters of falling take-up to stand at 1.3 million sq ft this quarter. With a roadmap out of lockdown, economic activity increasing and Brexit no longer a shadow looming over the market, there is much more to suggest positivity for the market.

Investment market

There continue to be signs of optimism, with demand for long income particularly strong. Nevertheless, it will be no surprise, considering that we were under lockdown for the entirety of the period, that the first quarter of the year was relatively quiet. With investors still impeded by the luxury of actually being able to inspect a building, there was relatively little release of supply to the market. As a result, quarterly volumes reached just £2 billion, down on the running ten-year quarterly average of £3.5 billion and the relatively busy final quarter of 2020.

AVISON YOUNG

ALASDAIR GURRY
Director

> **"Overall, in comparison to the prevailing view a year ago of the 'death of the office' all this evidence provides yet more cause for optimism in the long-term future of the Central London office market.**

Occupier market in brief

SPRING IS IN THE AIR

Things are looking up. After a relatively active March, take-up in Central London has rebounded significantly after five consecutive quarters of falling take-up to stand at 1.3 million sq ft this quarter. With a roadmap out of lockdown, economic activity increasing and Brexit no longer a shadow looming over the market, there is much more to suggest positivity for the market.

The quarter saw the return of large deals with Latham & Watkins taking 200,000 sq ft, TikTok acquiring 86,000 sq ft and Brevan Howard taking 72,000 sq ft, reflecting the reassuringly wide occupier diversity in the market. While in the year since the pandemic started, professional services continues to be the most active sector, it has accounted for only 23% of take-up with the rest spread across a large pool of sectors.

There is increasing evidence of occupier requirements returning. While some have reduced their requirements, there increasing evidence that the active management that will be required of a hybrid workforce, may actually put some upward pressure on demand for space in some cases. . The growing focus on health and wellbeing, creating great places for work and demand for a diversity of space will be forces driving increased requirement size for the future. Derwent boss Paul Williams actually predicted that future workplaces will increase from 8 sq m per person 'max-packing' model to 12 sq m per worker in the short-medium term.

This overall positivity is being reflected in demand for new space. 77 Coleman Street, which completed last year, achieved more than half occupancy when Dolfin Financial signed this quarter. Furthermore, The City of London Corporation approved over 2 million sq ft of office space in Q1 (nearly 80% of the total approved in 2020). The bulk of this was two developments on Gracechurch Street and 2 Finsbury Avenue.

Finally, at the beginning of Q1 Dtek (a Ukranian energy giant) signed a record City of London office rent of nearly £110 per sq ft for the top floor of the Leadenhall Building. This follows a record rent being achieved in Q4 2020 with a private family office paying £277.50 per sq ft at 30 Berkeley Square, W1, while the rents rumoured to be achieved at Kaleidoscope in Clerkenwell are far in excess of previously record levels.

HAVE I GOT SECTOR NEWS FOR YOU

The Latham & Watkins deal in Q1 means that for four of the last five quarters a legal deal has been the largest of the quarter in the City. Additionally, law firm Allen & Overy are in discussions with British Land and GIC on acquiring around 300,000 sq ft at 1 Broadgate.

Banks were trying to reduce their footprint pre-COVID and are now accelerating this process. Amongst others, Lloyds Banking Group is reducing its office space by 20% by 2023 while HSBC is planning to decrease its office footprint globally by around 40%. HSBC also recently relocated four top executives from London to Hong Kong but Chief Executive Noel Quinn made clear that there will be no mass move of jobs away from London and that it remains the firm's headquarters. Interestingly, The Bank of England announced that lenders must get its approval before moving UK operations and jobs to the EU.

Elsewhere, other financial services are active in acquiring space while enquires and take-up is growing in the Life Sciences sector and the Education sector. Serviced offices' take-up has stalled for the time being with operators wanting managed deals which landlords do not want to agree to.

THE RETURN OF THE OFFICE?

More evidence has emerged of firms' future workplace strategies. A KPMG survey of global CEOs found that only 17% are planning to reduce their office space as a result of COVID compared to 69% in August 2020. The same survey found that 76% view government encouragement for firms to return to 'normal' as the necessary prompt for them to ask staff to come back to the office.

Also, there have been a number of high profile announcements of firms' long-term working practices. At one end of the spectrum, Twitter and Spotify are adopting near fully remote policies while Bloomberg and Goldman Sachs are committed to a near full return to the office with the latter's boss labelling remote working an "aberration" with hundreds more of its staff going back to its London office at the beginning of Q2. In between are a number of firms such as PwC and Rightmove who are adopting a hybrid working model.

This comes as a recent survey by Opinium for the Prospect trade Union suggests the attraction of working from home has declined for employees. It found that only 24% want to work entirely or mostly from home while a YouGov poll in November found 50% wanted to do so.

The shifts in both firms' and employees' views on returning to the office is seen in Metrikus data. It recently reported UK office occupancy grew for three months to reach 45% of the pre-pandemic norm that is the highest it has been since March 2020. Overall, in comparison to the prevailing view a year ago of the 'death of the office' all this evidence provides yet more cause for optimism in the long-term future of the Central London office market as it begins its recovery.

Central London

TAKE-UP

Take-up across Central London rose to 1.3 million sq ft in Q1 2021, 48% above the previous quarter and a rebound from five consecutive quarters of falling activity. While this total was still 46% down on the 10-year quarterly average, further optimism can be taken from a relatively strong March where over half of activity took place.

As opposed to Q4 2020, we saw a selection of large deals this quarter with the largest being Latham & Watkins taking 200,000 sq ft at One Leadenhall, EC3 followed by TikTok committing to taking 86,000 sq ft at Kaleidoscope, 4 Lindsey St, EC1. Elsewhere, Brevan Howard took 72,000 sq ft at 82 Baker Street, W1 after Publicis assigned their lease to them.

The quarter saw a return to activity at the larger end of the market – in all there were 16 deals over 20,000 sq ft accounting for 62% of quarterly take-up in Central London that was an increase on the 12 deals that only accounted for 47% in Q4 2020.

As in the previous quarter, the financial services sector was the most active tenant sector comprising 36% of quarterly take-up. This was followed by the professional services and then TMT & creative sectors that accounted for 29% and 12% respectively.

AVAILABILITY

Availability rose for the fifth consecutive quarter to 21.7 million sq ft, a 23% rise on the previous quarter and 69% increase year-on-year. The vacancy rate for central London has risen as a result from 6.1% to 7.5% that is now two percentage points above the quarterly 10 year average, although there is a divergence between old and new space.

Seven developments completed over the quarter totalling 465,000 sq ft. This was much lower than the 2.3 million sq ft that completed in the final quarter of last year and the 1.8 million sq ft in Q3 2020. The largest building to complete was the 116,000 sq ft refurbishment at LDN:W, 3 Noble Street, EC2 followed by the 115,000 sq ft refurbishment at 16 Old Bailey, EC4. The only new build to complete over the quarter was to the WeWork occupied 120 Moorgate, EC2.

There is now 12.9 million sq ft under construction with 5.1 million sq ft due to complete in 2021. Positively for the market, 33% of the total development pipeline is pre-let leaving 8.7 million sq ft of available space.

RENTAL GROWTH

There is continuing resilience in the rental market for good quality grade A with headline rents holding up in all of the submarkets. We have seen minor increases in rent free periods offered within the City and its fringes. Prime headline rents are £70.00 in City Core, £110.00 in Mayfair and St James's and £45.00 in Canary Wharf.

There has been a growing divergence in rents for new, grade A stock that is securing high rents compared to second-hand grade B stock that may face downward rental pressure from increasing sublet space on the market.

OUTLOOK

With the vaccine rollout running well and a roadmap out of lockdown on the horizon, there is optimism in the market. This is being reflected in the highest quarterly take-up total since the pandemic started but also by increased levels of office occupancy – as seen in our UK Cities Recovery Index - and increasing numbers of firms stating their long-term return to office plans.

KEY DEALS Q1

Address	Occupier	Sq Ft
One Leadenhall, EC3	Latham & Watkins	200,000
Kaleidoscope, 4 Lindsey St, EC1	TikTok	86,000
82 Baker Street, W1	Brevan Howard	72,000
60 London Wall, EC2	AllianceBernstein	52,000
1 Wood Crescent, W12	PVH Corp	50,000

TOP TENANT SECTORS

Financial Services **35.9%**

Professional Services **29.4%**

TMT & Creative **12.4%**

The London market definitions have been amended to align better with up-to date market perceptions. If you require back-dated historic data, please let the Research team know.

KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1

1.3 million sq ft

46%

DOWN ON THE 10-YEAR QUARTERLY AVERAGE

7.5%

VACANCY RATE

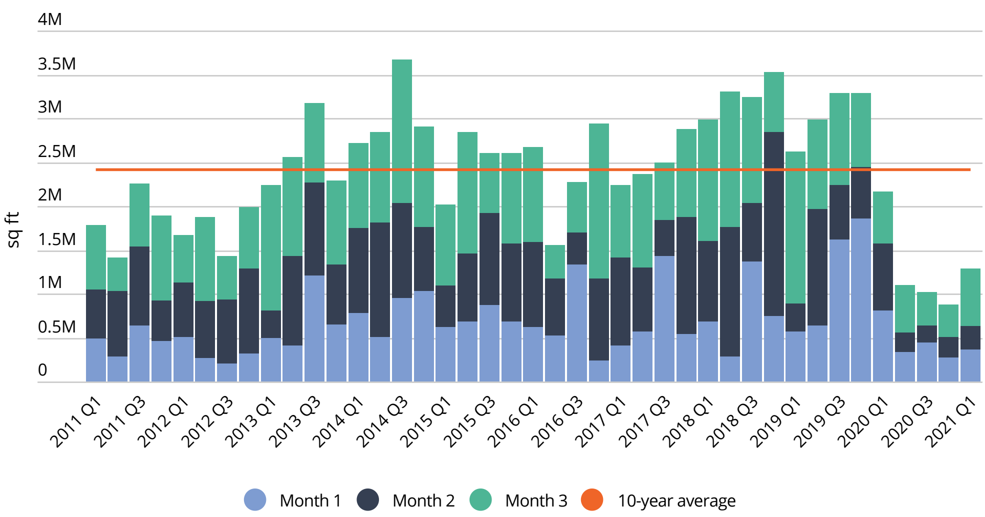
UNDER CONSTRUCTION

12.9 million sq ft

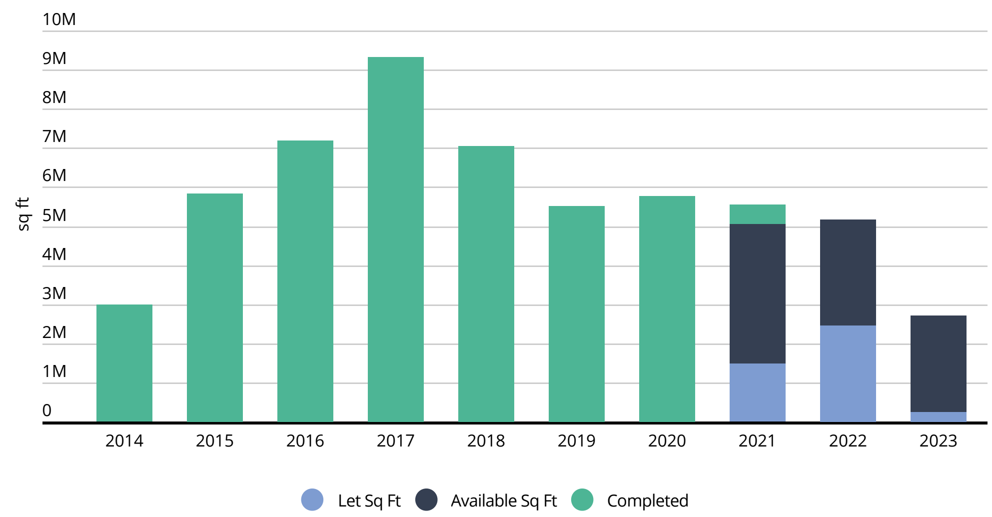
33%
pre-let

Occupier charts

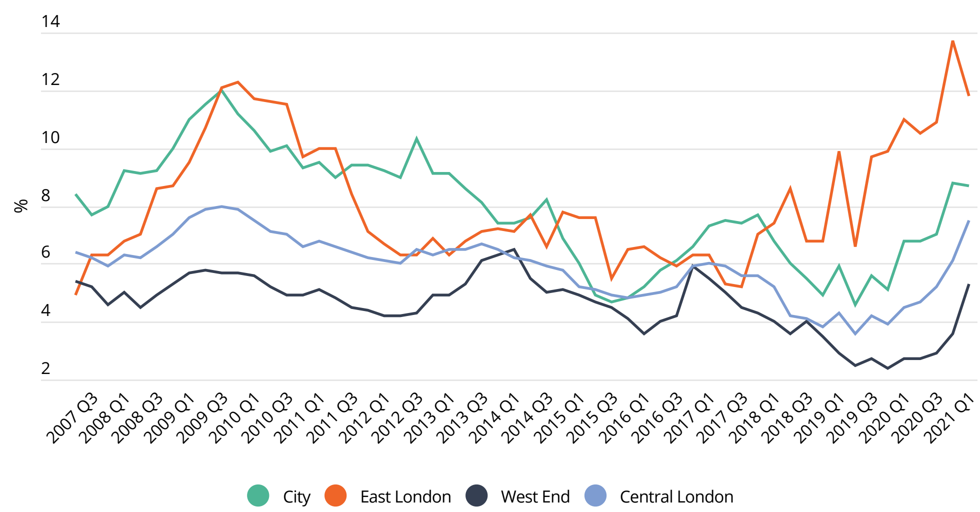
CENTRAL LONDON TAKE-UP



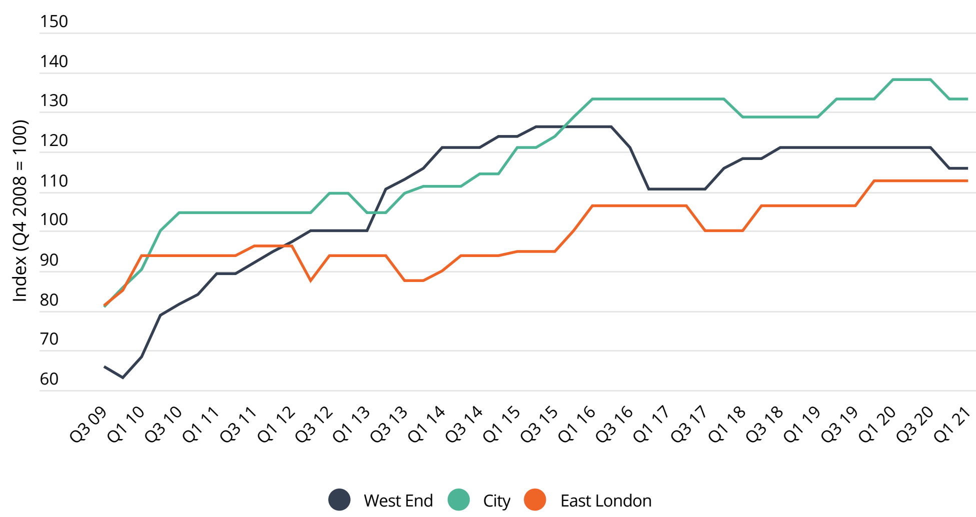
UNDER CONSTRUCTION



OFFICE AVAILABILITY RATES



PRIME HEADLINE RENTAL GROWTH



City

Quarter-on-quarter, take-up in the City increased by 90% from 275,000 sq ft in Q4 2020 to 525,000 sq ft in Q1 2021. This is the highest quarterly total since Q1 2020 but is nevertheless 38% below 10 year average.

The City saw the largest deal across Central London for the quarter with Latham & Watkins taking 200,000 sq ft at One Leadenhall, EC3. This means that for four of the last five quarters, a legal deal has been the largest of the quarter. The deal also helped make January the strongest month in the market with over 57% of the quarter's activity.

Elsewhere, Alliance Bernstein took 52,000 sq ft at 60 London Wall, EC2 in March, having previously put their requirement on hold during the early stages of the pandemic, and IDRC acquired 46,000 sq ft at Juxon House, EC4 in February. There were 3 other deals over 20,000 sq ft spread across the City by insurance, pensions & asset management businesses.

The Latham & Watkins and IDRC deals helped make professional services the most active sector of the quarter with 52% of activity. This was followed by financial services that accounted for 43% of take-up in the City over Q1. Collectively, these two sectors accounted for 17 of the 20 deals over the quarter.

Availability in the City now stands at 6.5 million sq ft broadly in line with where it was at the end of the year, with the vacancy rate now at 8.7%. Availability is now at its highest level since mid-2012 that has been boosted particularly by increased tenant space of late.

Four developments completed during the quarter totalling 336,000 sq ft. These were the 116,000 sq ft refurbishment at LDN:W, 3 Noble Street, EC2, the 115,000 sq ft refurbishment at 16 Old Bailey, EC4 and the 78,000 sq ft redevelopment of the WeWork occupied120 Moorgate, EC2 .

The development pipeline for the City totals 5.9 million sq ft, of which 22% is currently pre-let. Looking towards the future, we anticipate 1.4 million sq ft will complete during the remainder of 2021, 2.1 million sq ft in 2022 and 2.3 million sq ft in 2023. The largest development under construction is M&G's 880,000 sq ft 40 Leadenhall Street, EC3, due for completion in Q1 2023.

Prime headline rents remained stable in the City at £70 per sq ft (after coming down from £72.50 during Q3), as did rent free periods of 26 months on a ten year term, although we have seen upward pressure. In the three months to March 2021, the MSCI rental growth index grew by 0.3% in the City.

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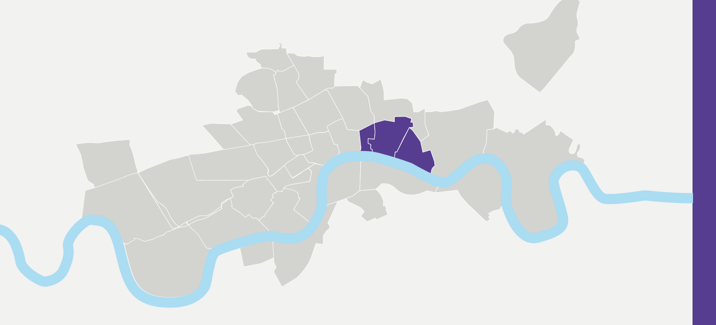
KEY DEALS Q1

Address	Occupier	Sq Ft
One Leadenhall, EC3	Latham & Watkins	200,000
60 London Wall, EC2	AllianceBernstein	52,000
Juxon House, 100 St Pauls Churchyard, EC4	IDRC	46,000
1-7 Whittington Avenue, EC3	Brookfield Global Asset Management Limited	44,000
25 Copthall Avenue, EC2	JM Finn	30,000

TOP TENANT SECTORS

Professional Services
51.8%

Financial Services
29%



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1
525,000 sq ft

38.1%
DOWN ON THE 10-YEAR QUARTERLY AVERAGE

8.7%
VACANCY RATE

UNDER CONSTRUCTION
5.9 million sq ft
22.3%
pre-let

£70.00 per sq ft
PRIME RENT

West End & West London

Take-up across the West End and West London totalled 486,000 sq ft, significantly up on the 252,000 sq ft in Q4 2020 and the levels seen in the previous two quarters to that. This total is 19% below the 10-year quarterly average although this compares well to other submarkets.

Positively, March saw by far the greatest amount of activity and accounted for 76% of take-up over the quarter, with the three largest deals all completing during the month. These were Brevan Howard taking 72,000 sq ft at 82 Baker Street, W1 followed by PVH Corp taking 50,000 at 1 Wood Crescent, W12 and then Waypoint Capital taking 34,000 sq ft at 1 Berkeley Street, W1.

The Brevan Howard and Waypoint Capital deals helped make financial services the most active sector for the second consecutive quarter, accounting for 50% of take-up across 12 deals. This was followed by the consumer and private services sector that accounted for 13.6% of activity across 3 deals.

Availability in the West End now stands at 4.4 million sq ft. The vacancy rate has increased from 3.7% in 2020 Q4 to 5.4% in 2021 Q1, the highest it has been since the beginning of 2017. In West London, availability increased from 1.2 million sq ft to 1.5 million sq ft during the quarter. The vacancy rate in West London has subsequently risen from 7.6% to 9.9%.

Just one building completed during the quarter, with 38,000 sq ft delivered at 73-75 Grosvenor Street.

There is 2.4 million sq ft under construction across the West End and West London of which 18% is pre-let. There is a dwindling pipeline however, with 52% of this space due to complete in 2021. At the time of writing, this leavesonly 934,000 to complete in 2022 and 227,000 sq in 2023.

Prime headline rents in remain at £110 per sq ft (after falling from £115 per sq ft in Q3 2020) with 24 months rent free on a 10-year term.

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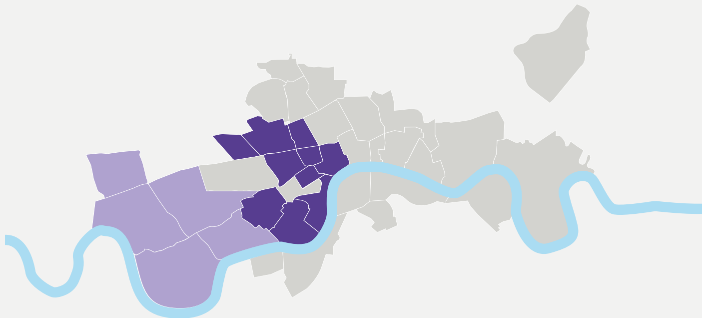
KEY DEALS

Address	Occupier	Sq Ft
82 Baker Street, W1	Brevan Howard	72,000
1 Wood Crescent, W12	PVH Corp	50,000
1 Berkeley Street, W1	Waypoint Capital	34,000
1 Hammersmith Broadway, W6	Department of Work and Pensions	29,000
30 Broadwick St, W1	EQT Group	29,000

TOP TENANT SECTORS

Financial Services
49.6%

Consumer and Private Services
13.6%



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1

486,000 sq ft

▽ 18.5%

DOWN ON THE 10-YEAR QUARTERLY AVERAGE

6.1%

VACANCY RATE

UNDER CONSTRUCTION

2.4 million sq ft

18%
pre-let

£110.00 per sq ft

PRIME RENT

East London

East London saw just 11,000 sq ft of take-up during the first quarter of the year. This is the lowest total since Q1 2011 and far below the 10-year quarterly average of 206,000 sq ft. There was only one deal this quarter with World Fuels taking 11,000 sq ft on the 28th floor at 1 Canada Square, E14.

Availability in East London is now 2.9 million sq ft. The vacancy rate fell from 13.8% to 11.8% though this is still over 4 percentage points above the 10-year average.

There is 1.1 million sq ft under construction in the development pipeline with nothing having completed during the first quarter of the year. 34% is already pre-let leaving 730,000 sq ft available. Of the six developments currently under construction, four are due to complete in 2021.

We expect to see 20 and 15 Water Street complete relatively soon, which will bring 211,000 sq ft and 178,000 sq ft respectively to the market. Elsewhere on the Wharf, the 415,000 sq ft redevelopment of 30 South Colonnade, 'YY London' is due to complete in Q4 2022, while BP have pre-let just under 70% of the 306,000 sq ft Cargo, 25 North Colonnade, E14.

For the fifth consecutive quarter, prime headline rents have remained stable in East London at £45 per sq ft with rent free periods of 30 months on a 10-year term.

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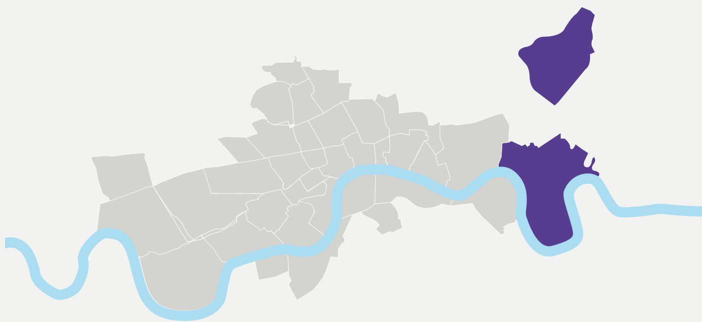
KEY DEALS

Address	Occupier	Sq Ft
1 Canada Square, E14	World Fuels	11,000

TOP TENANT SECTORS

Manufacturing & Industry
100%



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q1
11,000 sq ft

▽ 95%
UP ON THE 10-YEAR QUARTERLY AVERAGE

11.8%
VACANCY RATE

UNDER CONSTRUCTION
1.1m sq ft
33.6%
pre-let

£45.00 per sq ft
PRIME RENT

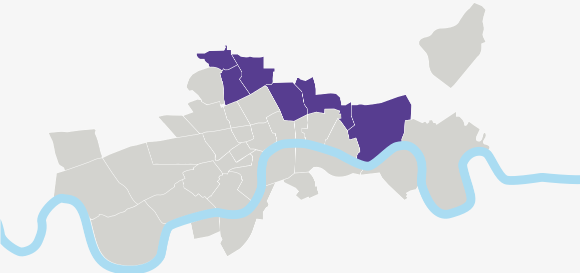
Tech Belt

Take-up in the Tech Belt increased quarter-on-quarter by 84% to 191,000 sq ft in Q1. While this is the highest total since 2020 Q1, it is nevertheless 53% below the 10-year quarterly average.

Of the 12 deals this quarter, the largest was TikTok taking 86,000 sq ft at Kaleidoscope, 4 Lindsey St, EC1 at a rent rumoured to be in the mid £80 per sq ft range. The only other deal above 20,000 sq ft was Leigh Day taking 28,000 sq ft at Panagram, 27 Goswell Rd, EC1.

The vacancy rate in the Tech Belt has increased to 8.1% with the amount of available space growing from 2.2 million sq ft to 3.3 million sq ft over the quarter. We saw development complete on the 25,000 sq ft 13-20 Settles Street development during the quarter. There remains limited supply in the development pipeline with over 60% of the 2.4 million sq ft under construction already pre-let. Over the remainder of 2021 we expect 1.2 million sq ft to complete with a further 1.1 million sq ft in 2022 and 150,000 sq ft in 2023.

Rents across the Tech Belt remain stable as they did over 2020. King's Cross continues to report the highest rents in the submarket at £80.00 per sq ft, followed by Clerkenwell at £75.00, although as evidenced above at Kaleidoscope, there are tenants willing to pay in excess of these levels. Rent free periods also remained flat in the Tech Belt at 24 months on a ten year term.



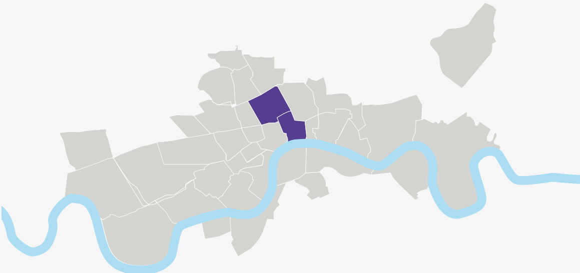
Midtown

Take-up in Midtown fell from 76,000 sq ft in Q4 2020 to 49,000 sq ft in Q1 2021. This is the lowest quarterly total since Q1 2013 and is 73% below the 10-year quarterly average.

There were just five deals in Midtown with the largest being Forrester Research Limited taking 18,000 sq ft at Centrium, 61 Aldwych, WC2. The only other deal above 10,000 sq ft was HKA taking 11,000 sq ft at 100 Victoria Embankment, EC4.

Availability in Midtown in Q1 was 1.6 million sq ft with the vacancy rate standing at 6.3%, above the 10-year average, and with no development in the imminent pipeline.

Rents in Midtown continue to remain stable in Q1 2021 with prime headline rents being £80.00 in Bloomsbury and £70.00 in Holborn. Rent free periods continue also to be 24 months on a 10-year term across Midtown.



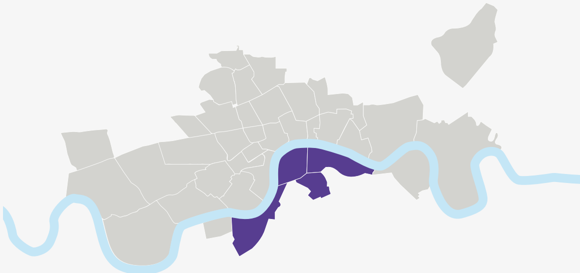
Southbank

Just 31,000 sq ft transacted across two deals on the Southbank during the first quarter of the year, 81% below the 10-year quarterly average with deals done at 46 Loman Street, SE1 and 4 More London (SE1).

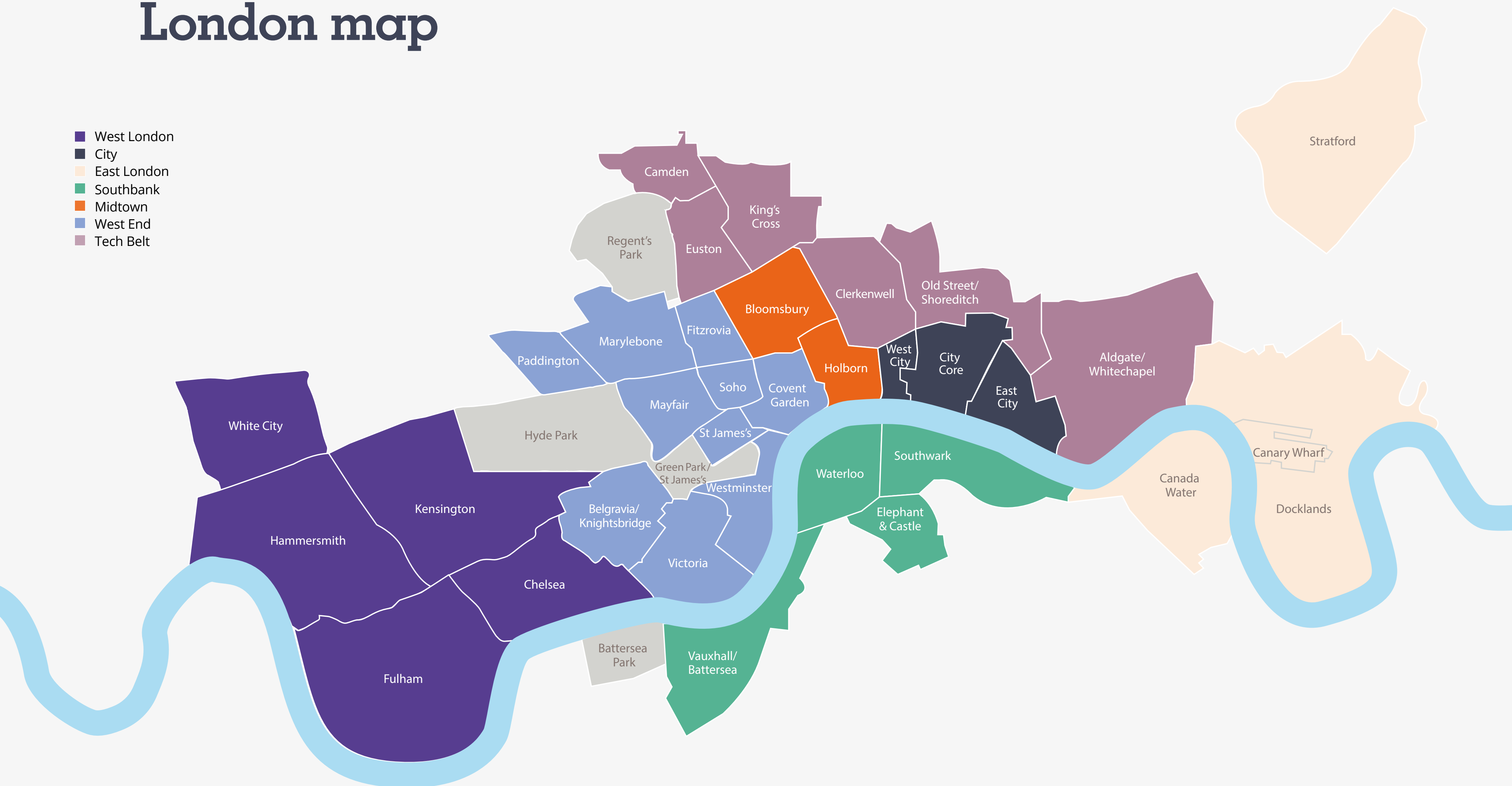
Availability in Southbank increased by 56% to 1.4 million sq ft during the quarter. As a result, the vacancy rate has risen from 3.7% to 5.8%, above the 10-year average of 4.5%.

There is currently 1.1 million sq ft under construction, with 377,000 due to complete over the remainder of 2021 and the remainder due to come to market in 2022. Of the total development pipeline, 56% is already pre-let as a result of Apple's 550,000 sq ft pre-let and IWG's No18, whichis due to complete in Q4 2022.

As in the previous quarter, rents remain stable across Southbank. Prime rents in Waterloo are stable at £70 per sq ft, with rents in Southwark at £65 per sq ft. Rent free periods also remain stable at 24 months on a ten-year term.



Central London map



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Central London markets

West End	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
Mayfair	£110.00	24	£52.19	£172.44
St James's	£110.00	24	£49.78	£170.03
Soho	£90.00	24	£44.43	£144.68
Belgravia / Knightsbridge	£90.00	24	£42.29	£142.54
Marylebone	£82.50	24	£42.29	£135.04
Covent Garden	£85.00	24	£32.12	£127.37
Fitzrovia	£82.50	24	£36.13	£128.88
Victoria	£77.50	24	£36.07	£123.82
Paddington	£75.00	24	£28.64	£113.89

West London	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
Chelsea	£90.00	24	£39.61	£139.86
Kensington	£70.00	24	£47.10	£127.35
Hammersmith	£58.00	24	£22.48	£90.73
White City	£60.00	24	£9.10	£79.35
Fulham	£45.00	24	£21.41	£76.66

Midtown	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
Bloomsbury	£80.00	24	£32.38	£122.63
Holborn	£70.00	24	£29.71	£109.96

Southbank	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
Waterloo	£70.00	24	£24.35	£104.60
Southwark	£65.00	24	£27.84	£103.09
Vauxhall / Battersea	£59.50	24	£16.33	£86.08

City	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
City Tower	£90.00	26	£27.20	£127.45
City Core	£70.00	26	£27.56	£107.81
West City	£70.00	26	£27.56	£107.81
East City	£67.50	26	£28.37	£106.12

Tech Belt	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
King's Cross	£80.00	24	£33.72	£123.97
Euston	£72.50	24	£29.71	£112.46
Clerkenwell	£75.00	24	£24.89	£110.14
Camden	£60.00	24	£28.64	£98.89
Old Street/ Shoreditch	£67.50	24	£19.27	£97.02
Aldgate/ Whitechapel	£55.00	26	£21.41	£86.66

East London	Prime headline rent (£ per sq ft)	Rent free period (months)	Business rates (£ per sq ft)	Total occupancy costs (£ per sq ft)
Canary Wharf	£45.00	30	£13.64	£68.89
Stratford	£45.00	30	£9.10	£64.35
Docklands	£32.50	30	£10.71	£53.46

Investment market in brief

CHRIS GORE
Principal

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We are already starting to see an uptick in new investment sales being launched to the market and we expect this to continue throughout the year.

QUIET QUARTER

There continue to be signs of optimism, with demand for long income particularly strong. Nevertheless, it will be no surprise, considering that we were under lockdown for the entirety of the period, that the first quarter of the year was relatively quiet. With investors still impeded by the luxury of actually being able to inspect a building, there was relatively little release of supply to the market. As a result, quarterly volumes reached just £2 billion, down on the running ten-year quarterly average of £3.5 billion and the relatively busy final quarter of 2020. What is clear, however, is that restrictions have impacted the upper end of the market, with the quarter actually seeing relative liquidity, with the 42 deals transacted the highest since Q4 2019 – and very much an average quarterly haul of deals.

We continue to see investment for well-located, well-let buildings. The largest deal of the quarter was CBREGi's purchase of Atlantic House, Holborn Viaduct, EC1 from Deka Immobilien for £265m, reflecting a Net Initial Yield of 3.65%. Another notable deal saw a consortium of Hong Kong investors, led by Wing Tai, complete on the purchase of 66 Shoe Lane, EC4 from Henderson Park for £255m, at a NIY 4.10%. In the West End, Fidelidade completed their acquisition of Smithson Plaza, SW1 for £158m, 4.85% NIY from Tishman Speyer and JP Morgan AM purchased 45 Pall Mall, SW1 for £110m, 4.55% NIY from M1 Investments.

FOR SALE

Looking forward we anticipate activity to increase across the coming months. A combination of the easing of lockdown restrictions and positive progress on the vaccination program should lead to an improvement in occupier fundamentals and likewise investor sentiment.

We are already starting to see an uptick in new investment sales being launched to the market and we expect this to continue throughout the year. That said with travel restrictions likely to continue through late spring and summer, overseas investors without a dedicated office in London will find it more difficult to place their money in the capital and should give domestic investors or those international investors with a London office an advantage against a slightly lesser breadth of competition. This was evidenced in Q1, as domestic investors made up 40% of total volumes, with European investors also particularly active.

There are a handful of a new deals to keep an eye on which will be a barometer for both pricing and investor sentiment. Abrdn are selling 1 St John's Lane in Clerkenwell for £95 million, reflecting what would be a net initial yield of 4.28%. Activity in the market has been strong, with Eurazeo purchasing a portfolio of Derwent London buildings in the area, and CBREGi completing on Atlantic House.

Blackstone are looking to dispose of Times Square for c. £450 million, reflecting a yield of 4.2%, while Union Investment are understood to be under offer to purchase the new BT HQ at 1 Braham Street. The deal is rumoured to be somewhere between £480 and £500 million, representing a yield of 4.2%, which highlights the continued strong investor appetite for long income. Elsewhere, on the Southbank, the demand for value-add will once again be tested, as Angelo Gordon and Endurance Land look to find a buyer for 160 Blackfriars Road, which has planning permission, as of July 2020, for a 169 bedroom hotel on the site. Perhaps, the true acid test, however, will be the sale of 100 Bishopsgate, which is on sale for £1.8bn.

Investment commentary

Investment volumes totalled just over £2 billion in Q1 2021. While this is 43% below the 10-year quarterly average and down on the £3.6 billion seen in the previous quarterfinal quarter of 2020, it is around double what was seen in Q3 2020 and close to triple the total in Q2 2020.

While traditionally quiet, January saw £518 million transact –more than in the first month of 2020 or 2019. Activity then gained steady momentum over the next two months with £733 million worth of deals in February and £759 million in March.

The number of deals has increased for the third consecutive quarter, with there being 42 transactions over the whole of Q1 2021. While this is the highest amount since Q4 2019 it is still 25% below the 10-year average.

There were 6 six deals completed in excess of £100 million or more over during the quarter with the highest value transaction being CBREGI's purchase of the 258,000 sq ft Atlantic House, 45-50 Holborn Viaduct EC4 for £265 million from Deka in February having exchanged a few months before. This was followed by Wing Tai Properties Ltd purchasing the 147,000 sqft 66 Shoe Lane (previously known as Athene Place) EC4 for £255 million from Henderson Park in March. These buildings were the only buildings over 100,000 sq ft that transacted in Q1.

As in Q4 2020, the West End attracted the majority of Q1 activity with18 deals worth £812 million transacted, 40.4% of the total seen over the quarter. Midtown was the next most active submarket with £754 million worth of deals, followed by £210 million in the City and £118 million in the Tech Belt.

Prime yields in Q1 2021 continued to remain stable across central London. Prime net initial yields are 4% in the City and 3.5% in the West End.

KEY STATS THIS QUARTER

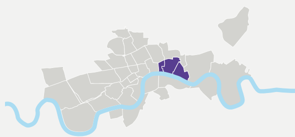
TRANSACTION VOLUMES

£2.2 billion

▽ **38.3%**

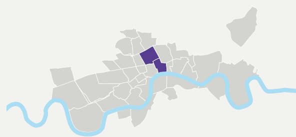
DOWN ON THE 10-YEAR QUARTERLY AVERAGE

VOLUMES BY MARKET



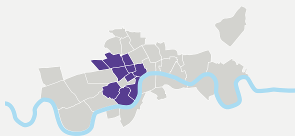
CITY

£210 million



MIDTOWN

£754 million



WEST END

£970 million

VOLUMES BY INVESTOR TYPE

OVERSEAS INVESTORS

68.6%

UK PROPERTY COMPANIES

17.1%

UK INSTITUTIONS

7.7%

CITY PRIME YIELD

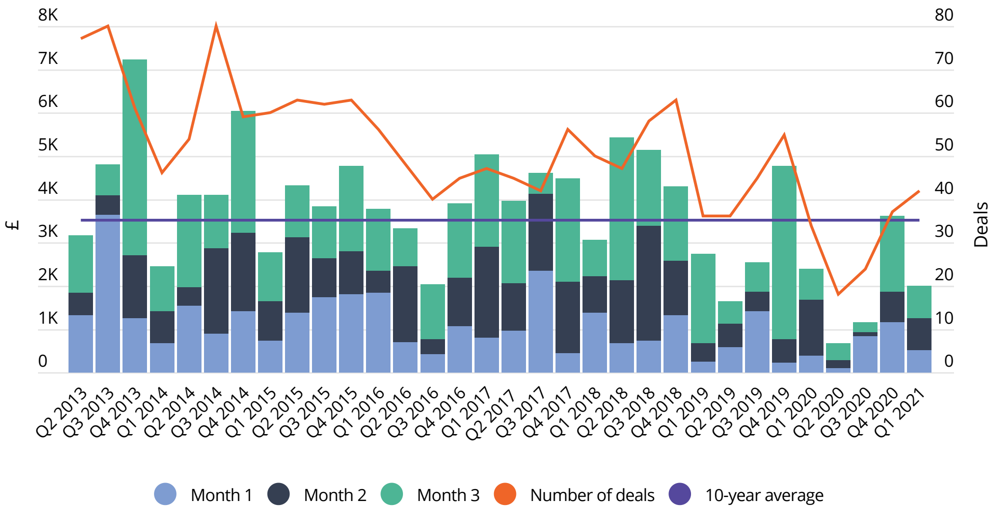
▷ **4.00%**

WEST END PRIME YIELD

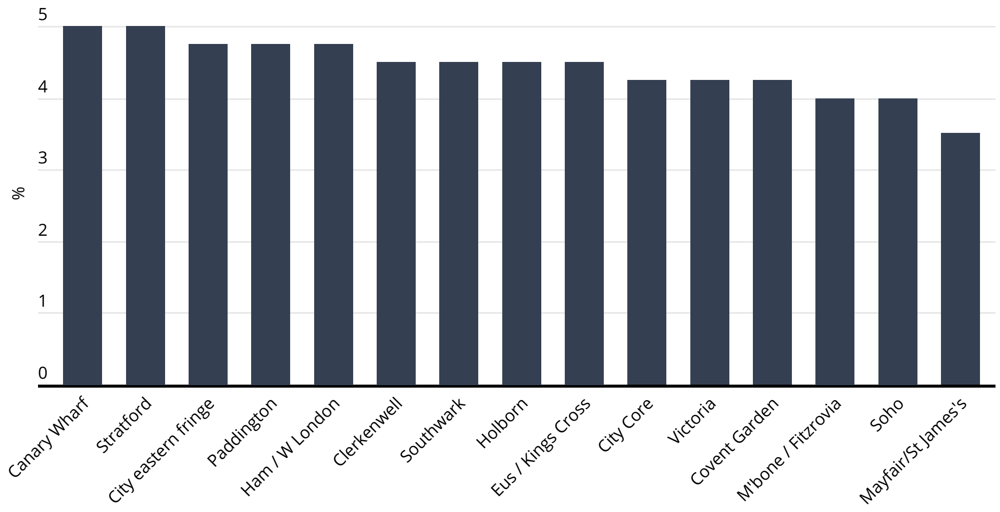
▷ **3.50%**

Investment data

CENTRAL LONDON QUARTERLY VOLUMES VS NUMBER OF DEALS



CENTRAL LONDON YIELDS Q1 2020



LARGEST INVESTMENT DEALS OF Q1 2021

Address	Price (£m)	Yield (%)	Month	Purchaser
45-50 Holborn Viaduct, EC1	265	3.8	February	CBREGI
66-73 Shoe Lane, EC4	255	4.1	March	Wing Tai Properties Ltd
25-27 St James's Street, SW1	158	4.85	January	Fidelidade
75 King William Street, EC4	128		February	London & Oxford
45 Pall Mall, SW1	110	4.55	February	JP Morgan Asset Man

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