RESEARCH

Central London office analysis

Q4 2019

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OCCUPATIONAL MARKET

Central London take-up totalled 3.3 million sq ft in Q4 2019 which was 28% above the 10-year average. Overall 2019 was the second strongest year on record with total take-up of 12.3 million sq ft.

INVESTMENT MARKET

Investment volumes reached £4.8 billion for Q4 2019, 31% above the 10-year average and 11% above the same period in 2018. However, 2019 volumes were still subdued overall, totalling £12 billion, which was 20% down on the 10-year average.

Avison Young are marketing 11,267 sq ft at One Canada Square, E14.

ALASDAIR GURRY
Director

> Rents for the most sought after spaces in the City continue to surpass previous benchmarks and, in some instances, achieve levels comparable to the West End.

Occupier market – in brief

SPACE WARS

The Central London development pipeline continues to be starved of Grade A supply and under construction space remains in very high demand. Throughout 2019, 3.3 million sq ft of stock was pre-let in 47 separate transactions. With just 3.4 million sq ft of available stock currently due for completion in 2020 across all size bands, we could be looking at a supply shortage in the coming year.

After 2020, the level of under construction stock drops off significantly to just 3.9 million sq ft of available stock for 2021 and 2022 combined. However, the outlook for the year looks set to see a number of large scale developments commence construction which could considerably alleviate the longer-term pipeline. Examples include Elizabeth House, York Road, SE1 totalling 1.2 million sq ft, 'Gotham City, EC3' totalling 900,000 sq ft and One Leadenhall, EC3 totalling 400,000 sq ft. By 2023 therefore, the City may hold a level of supply more able to cope with tenant requirements.

The current market climate, however, sees low supply and high demand putting considerable pressure on rental levels throughout Central London. Rents for the most sought after spaces in the City continue to surpass previous benchmarks and in some instances achieve levels comparable to the West End. In a footloose market, geographical boundaries are increasingly redundant with occupiers placing more importance on quality of space, digital and transport infrastructure, and value for money.

CO-WORKING 2020

In the aftermath of WeWork's failed IPO, the serviced office sector has entered its next stage of maturity and settled as a more manageable feature of the London office market. Increasingly, we see major winners emerging in the sector which are steadily rising to the top of the market to become recognised brands. Many large multi-national corporates are in the process of deciding upon their level of exposure to serviced offices with a number of operators capitalising on the growth in need for corporate serviced office space for use as overflow or project space.

Successful operators are those that are able to achieve a good business model, quality of provision and a collaborative approach. The movement away from quantity of locations towards quality of provision follows from similar trends in the conventional office market a year ago. This also signifies changing occupier requirements towards locations which drive wellbeing and productivity, reflecting the ongoing war for talent. Co-working consolidation is in full swing which is affecting smaller brands without the necessary access to capital, especially where they have high profit margins, which limits their potential for success.

HYBRID SECTORS

Steady take-up despite market uncertainties to year-end 2019 is partly the result of booming hybrid sectors, primarily Fintech which has seen rapid growth in the Capital, becoming one of London's top performers. In Q4 2019 alone, hybrid occupiers such as Monzo, Deloitte Digital and Checkout.com each acquired space in excess of 50,000 sq ft, making up 260,000 sq ft and accounting for 15% of the City total alone.

With Fintech now an established component of the Central London office market, 2020 may see other hybrid sectors rise in importance, underpinned by the attractive conditions that have created strong growth in Fintech to date. Growing hybrid sectors in the London office market include Proptech (with firms such as Hubble) and Legaltech (with firms such as Tessian), and with a number of existing property and law firms becoming increasingly technology focused. Medtech is the latest entrant into the London office market, encouraged through London's existing strength as a life sciences centre, particularly in the surrounds of King's Cross where the Francis Crick Institute is based.

Central London

TAKE-UP

Central London take-up reached 3.3 million sq ft for Q4 2019 reflecting continued strong demand, 28% above the 10-year quarterly average. A strong final quarter took annual take-up to 12.3 million sq ft which was the second strongest year on record, only just surpassed by 2018's 12.5 million sq ft. The West End saw particularly strong performance during Q4 reaching take-up of 1.4 million sq ft, the strongest quarter since the turn of the century and 67% above the 10-year quarterly average.

There were 12 deals above 100,000 sq ft throughout 2019, of which the majority (five) took place in Q4 2019. The largest deal in 2019 was EBRD's acquisition of 365,000 sq ft at 5 Bank Street, E14 but Q4 was particularly notable for seeing deals by both Apple (156,000 sq ft at 22 Bishopsgate, EC2) and Facebook (144,000 sq ft at Regent's Place, NW1) in the same quarter.

The TMT & Creative sector accounted for the largest proportion of take-up in Q4 2019 at 23%. The Financial Services sector also made up 23%, although a significant proportion was accounted for by the growing Fintech sector. Serviced offices accounted for 16% of take-up for the quarter, which was a significant fall on Q3 2019's 31% of serviced office take-up. Serviced office operators acquired a total of 2.5 million sq ft in 2019 which was up 5% on 2018's 1.9 million sq ft.

AVAILABILITY AND DEVELOPMENT

Total availability fell marginally to 11.1 million sq ft in Q4 2019, down 6% on Q3 2019's 11.8 million sq ft and falling below the 10-year average of 11.4 million sq ft. This was largely due to strong quarterly take-up which has eroded the already limited level of Grade A supply, in addition to a subdued development pipeline for the first two quarters of 2020.

There is currently 14.5 million sq ft under construction in Central London of which 49% is pre-let, leaving 7.7 million sq ft available. Under construction supply due for delivery in 2020 is currently 59% pre-let overall, rising to 63% for buildings in excess of 100,000 sq ft which remain in particularly high demand. 22 Bishopsgate, the largest building under construction in Central London due for completion in Q1 2020, was 56% pre-let at year end 2019 following a flurry of deals later in the year.

Despite a constrained pipeline at year end, construction starts due for 2020 may partially alleviate the existing constrained supply. Developments due to commence include HB Reavis's Elizabeth House, SE1 (1.2 million sq ft), M&G's 40 Leadenhall Street, EC3 (900,000 sq ft) and Brookfield's One Leadenhall, EC3 (400,000 sq ft) which will significantly boost supply.

RENTAL GROWTH

Central London prime rents grew by 2.0% over the year to Q4 2019. On a quarterly basis, due to subdued supply across most of the City, prime rents grew in a number of submarkets including Holborn, Clerkenwell and Waterloo. Contrastingly, West End prime rents stayed stable, although record rents continue to be achieved for the best Grade A space. Rent free periods are largely stable at 24 months for a 10-year term across Central London.

KEY DEALS - Q4 2019

Address	Occupier	Sq Ft
22 Bishopsgate, EC2	Apple	156,442
53-64 Chancery Lane, WC2	The Office Group	150,000
Regent's Place, 10 Brock Street, NW1	Facebook	144,525
Broadwalk House, 5 Appold Street, EC2	Monzo	122,280
Gateway Central, White City, W12	L'Oreal	120,217

TOP TENANT SECTORS

TMT & Creative **23%**

Financial Services **23%**

KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q4

3.3 million sq ft

▲ **28%**

UP ON THE 10-YEAR QUARTERLY AVERAGE

4.96%

VACANCY RATE

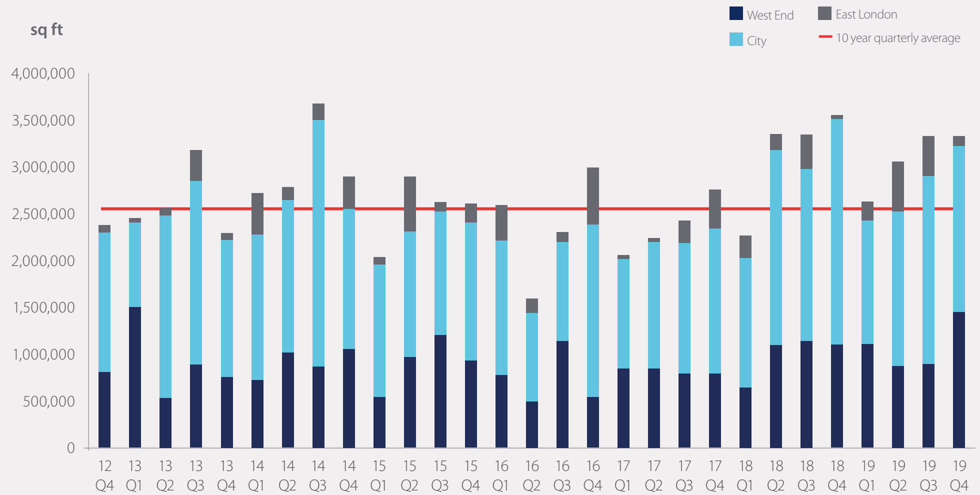
UNDER CONSTRUCTION

14.5 million sq ft

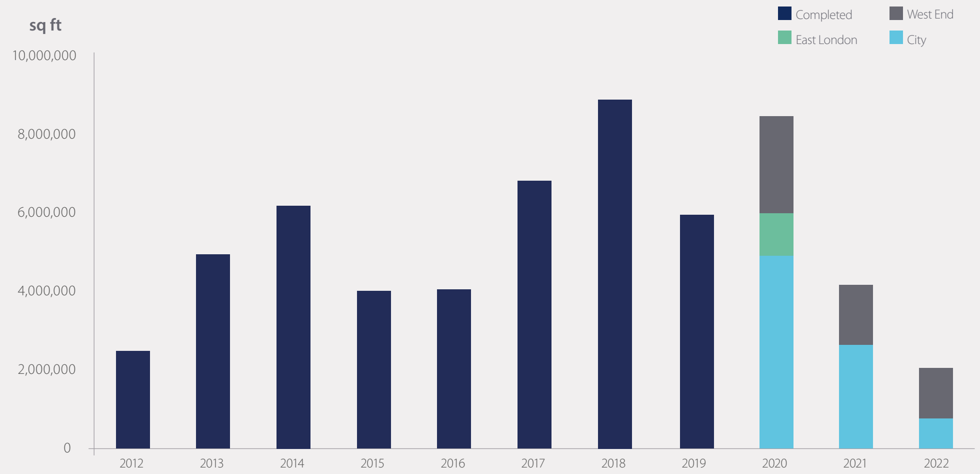
49%

pre-let

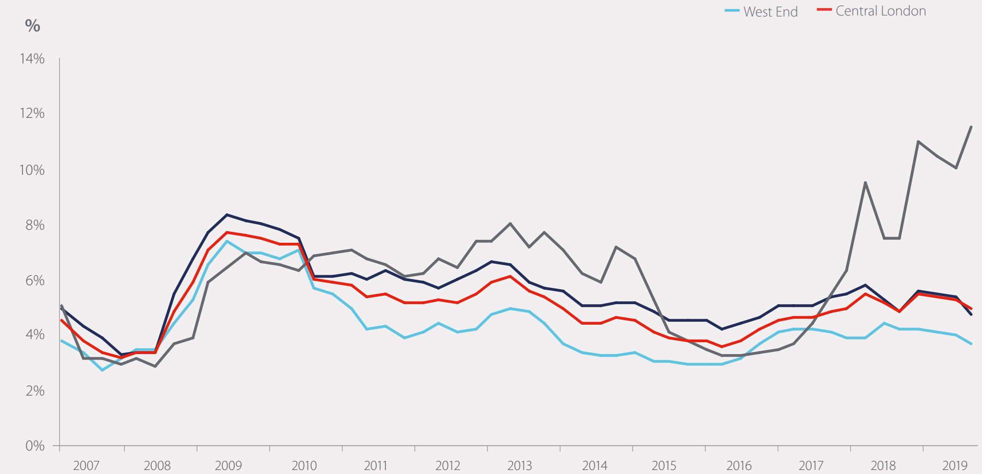
CENTRAL LONDON TAKE-UP



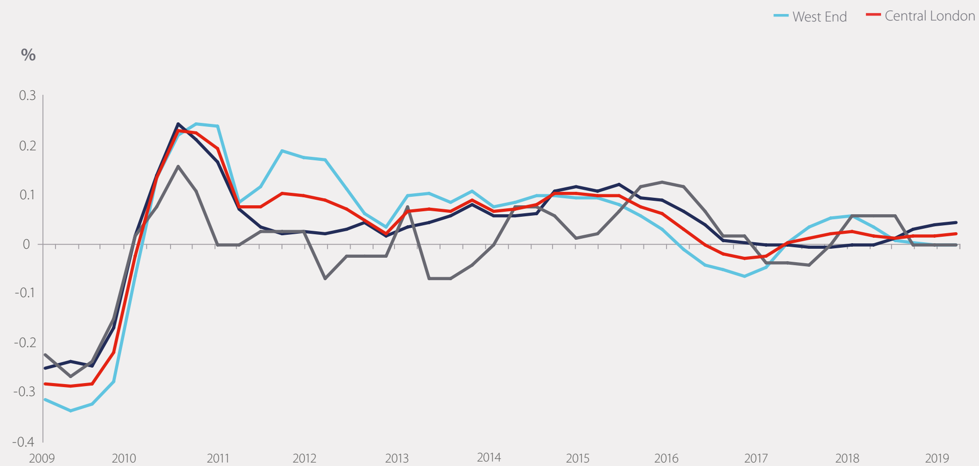
UNDER CONSTRUCTION



OFFICE AVAILABILITY RATES



PRIME RENTAL GROWTH



West End

TAKE-UP

The 87 deals in the West End over Q4 2019 amounted to a highly impressive 1.4 million sq ft of take-up activity. This is 67% above the ten-year average of quarterly take-up and is the highest result since Q1 2013. The two deals over 100,000 sq ft drove strong take-up, Facebook took 145,000 sq ft at Regent's Place, NW1 and L'Oreal agreed 120,000 sq ft at Gateway Central, White City, W12. Such an impressive quarter rounds off an even better year with take-up in 2019 at its highest level in the West End since 2000.

The TMT & Creative sector accounted for 23% of take-up primarily due to the Facebook deal which accounted for 10% of West End take-up alone during the quarter. Financial Services was the next largest sector accounting for 16%, the largest financial services acquirer was Apollo Global Management who took 83,334 sq ft at Soho Place. While the serviced offices sector had an impressive third quarter of the year its proportion of take-up dropped down to 11% in Q4, similar to the level it was in Q2.

Victoria was by far the strongest submarket accounting for 21% of Q4 take-up. Euston, Covent Garden, Fitzrovia and Hammersmith followed suit with these submarkets each accounting for around 13%. Mayfair and St James's had a relatively poor quarter with take-up in these submarkets dropping by a third from Q3 to Q4. The largest deal in Mayfair and St James's was AMP Capital Investments Ltd taking 22,497 sq ft at Berkeley Square House, W1.

AVAILABILITY AND DEVELOPMENT

West End availability fell for the fourth consecutive quarter to 3.3 million sq ft. This was a 9% decrease from Q3 and is considerably lower than the ten-year average. As a result, the vacancy rate fell to 3.7%, the lowest level since Q3 2016.

Seven developments completed in the West End in Q4 totalling over 140,000 sq ft including 24 St James's Square (18,000 sq ft) and Verve, 40 Villiers Street (17,000 sq ft).

Looking forward, 5.2 million sq ft is under construction in the West End. The limited availability means tenants are still being forced to pre-let further in advance with the pipeline already 63% pre-let overall. The 2020 pipeline is currently 70% pre-let putting particular pressure on the near-term pipeline. Post 2020, the proportion of the pipeline that is pre-committed drops to a still impressive 57% which is likely to continue to grow.

RENTAL GROWTH

West End prime rents stayed stable over the year to Q4 2019 . However, the Hammersmith prime rent fell marginally to £52.50 psf reflecting more supply than demand. A return to stronger demand for Q4 2019 despite continued limited supply may generate rental growth in 2020, particularly for Grade A stock in well-connected submarkets. Rent free periods are currently stable at 24 months but may see some downwards pressure for the best quality space.

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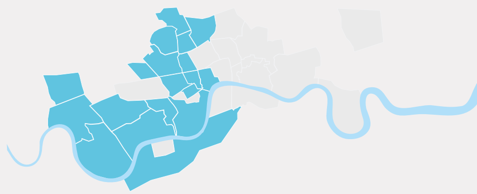
KEY DEALS - Q4 2019

Address	Occupier	Sq Ft
Regent's Place, 10 Brock Street, NW1	Facebook	144,525
Gateway Central, White City, W12	L'Oreal	120,217
Soho Place, 1 Oxford Street, W1	Apollo Global Management	83,334
86 Petty France, SW1	London Transport Museum	58,402
338 Euston Road, NW1	Skyscanner	44,505

TOP TENANT SECTORS

TMT & Creative **23%**

Financial Services **16%**



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q4
1.4 million sq ft

▲ **67%**
UP ON THE 10-YEAR QUARTERLY AVERAGE

3.65%
VACANCY RATE

UNDER CONSTRUCTION
5.2 million sq ft
63%
pre-let

£115.00 per sq ft
PRIME RENT

City

TAKE-UP

The 76 deals in the City amounted to 1.8 million sq ft for Q4 2019. This is 20% above the 10-year average despite a fall in the number of deals from Q3 and rounds off a successful 2019 for the City market where annual take-up levels reached their second highest level since 2014. Leading this success were seven deals over 50,000 sq ft with the largest being Apple taking 156,442 sq ft at 22 Bishopsgate.

Unsurprisingly, Financial Services made up the largest proportion of take-up in Q4 2019 at 26% with a key deal being Monzo's acquisition of over 120,000 sq ft at Broadwalk House. While it was the leading sector in Q3, TMT & Creative came in a close second with 25% of take-up, despite accounting for the largest deal in the quarter.

The Serviced Offices sector continued growing and accounted for 21% of Q4 take-up. The largest serviced offices deals were The Office Group taking 150,000 sq ft at 53-64 Chancery Lane, WC1 and Canopius Managing Agents Ltd taking 52,000 sq ft at 22 Bishopsgate, EC2. This performance is in stark comparison to Q4 2018 when serviced offices accounted for only 13% of City take-up.

Finally, while pre-lets accounted for a record 41% of City take-up in Q3 this figure dropped to a still notable 27% in Q4 despite there only being nine pre-let deals out of the total 76. As with the previous two quarters, the majority of City pre-letting activity was inside the City Core where seven such deals took place.

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AVAILABILITY AND DEVELOPMENT

Availability continues its trend of falling since the beginning of 2019 and stood at 5.3 million sq ft in Q4. This is below the 10-year average as is the vacancy rate which, at 4.78%, reached its lowest level since Q4 2016.

Nine developments totalling an impressive 1.2 million sq ft completed during Q4. The largest completion was at 100 Bishopsgate, EC2 where 800,000 sq ft completed, of which 86% is pre-let. The next biggest completion of the quarter was 97,000 sq ft at Helical's Kaleidoscope, EC1 which is fully available at present.

There are 43 developments currently under construction in the City totalling 8.3 million sq ft. 59% of the total sq ft will be completed in 2020 while around a third will complete in 2021 and just under a tenth will complete in 2022. Of all that is under construction, 41% is pre-let which leaves 4.8 million sq ft still available. The top ten developments due for delivery are particularly constrained with 55% of the 5.9 million sq ft currently pre-let.

RENTAL GROWTH

Rents saw above average 4.2% growth over the year to Q4 2019.

The majority of City submarkets saw rents rise over the period, driven by constrained supply and strong demand. Clerkenwell rents rose to £75.00 per sq ft in Q4 2019, the highest submarket rent across the wider City.

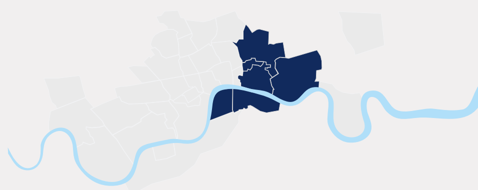
KEY DEALS - Q4 2019

Address	Occupier	Sq Ft
22 Bishopsgate, EC2	Apple	156,442
53-64 Chancery Lane, WC2	The Office Group	150,000
Broadwalk House, 5 Appold Street, EC2	Monzo	122,280
Athene Place, Shoe Lane, EC4	Deloitte Digital	76,497
Wenlock Works, N1	Checkout.com	63,904

TOP TENANT SECTORS

Financial Services **26%**

TMT & Creative **25%**



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q4

1.8 million sq ft

▲ 20%

UP ON THE 10-YEAR QUARTERLY AVERAGE

4.78%

VACANCY RATE

UNDER CONSTRUCTION

8.3 million sq ft

41%
pre-let

£70.00 per sq ft

PRIME RENT

East London

TAKE-UP

East London reported 100,000 sq ft of office take-up in Q4 2019. This is the lowest seen in the area in 2019 and 60% below the ten-year average. Unlike Q1 to Q3 2019, there were no deals above 50,000 sq ft in Q4 which contributed to the lower take-up level.

Three of the four transactions which completed in Q4 2019 were located in the Docklands market, representing 89% of the total take-up as the submarket continues to dominate East London leasing activity. The two largest deals of Q4 were 32,000 sq ft at The Columbus Building, E14, to Revolut and QBE's acquisition at Exchange Tower, E14, also of 32,000 sq ft. Both of these transactions were within the financial services sector, making it the largest acquirer by sector in Q4 at 64%.

Strong performance earlier in the year means that East London take-up in 2019 totalled 1.2 million sq ft. This is the highest annual figure observed in the market since 2016 and is 34% above the ten-year annual average.

AVAILABILITY AND DEVELOPMENT

Availability in the last quarter of 2019 rose to 2.5 million sq ft, a 15% increase on the previous quarter. This figure is 92% above the ten-year average and is the highest quarterly availability for the East London market since Q3 2003. The most substantial new space to come onto the market in Q4 2019 was 514,000 sq ft at 1 Westferry Circus, E14.

There are currently four office buildings under construction in East London, totalling 1 million sq ft, all of which are due to complete in 2020. Of these developments 46% have been prelet, leaving 552,000 sq ft available. The largest building under construction is Blackstone's Cargo at 25 North Colonnade, E14 which boasts 341,000 sq ft due for completion in Q4 2020, followed by 14 Westfield Avenue, E20, which has been entirely prelet to HMRC totalling 298,000 sq ft and is due for completion in Q1 2020. There remains significant development potential in the pipeline with planning permission granted to 8.9 million sq ft of office space in the East London market.

RENTAL GROWTH

Prime rents rose by 5% in the year to Q4 2019. Rents in Stratford remained at £45.00 per sq ft, whilst Canary Wharf rents grew to £45.00 per sq ft. Rent free periods are also unchanged at 30 months.

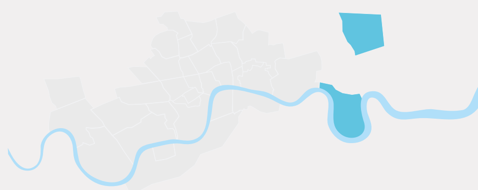
KEY DEALS - Q4 2019

Address	Occupier	Sq Ft
The Columbus Building, 7 Westferry Circus, E14	Revolut	32,188
Exchange Tower, E14	QBE Europe	31,796
20 Canada Square, E14	Wateraid	25,147
S9 International Quarter, E20	FNZ UK Ltd	10,579

TOP TENANT SECTORS

Financial Services **64%**

Government & Services **25%**



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q4

99,700 sq ft

▼ **59%**

DOWN ON THE 10-YEAR QUARTERLY AVERAGE

11.49%

VACANCY RATE

UNDER CONSTRUCTION

1.0 million sq ft

46%

pre-let

£42.50 per sq ft

PRIME RENT

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Midtown

TAKE-UP

The Midtown market achieved a take-up figure of 410,000 sq ft in Q4 2019. This was the second largest quarterly figure in 2019, a 45% increase on the previous quarter and 23% up on the 5-year average. Despite only reporting 12 transactions, the significant size of a few deals helped to bolster take-up, with two of the three largest deals of 2019 occurring in the final quarter.

Take-up for the year to Q4 2019 totalled 1.5 million sq ft, a 4% decrease on 2018 and the lowest annual figure observed since 2016. However, Midtown's 2019 take-up is in line with the 5-year annual average for the market.

The largest sector by take-up in Q4 was the serviced offices sector, a 54% proportion of total take-up in Midtown. The majority of this space went to The Office Group who leased 150,000 sq ft at 53-64 Chancery Lane, WC1, providing 36% of Q4's overall take-up, in the largest deal of the quarter and the year. The second largest acquisition was by Deloitte Digital who pre-let 76,000 sq ft at Athene Place, EC4, accounting for 18% of Q4 take-up in Midtown. Holborn was the strongest submarket with take-up achieving 295,000 sq ft, equal to 71% of Midtown's Q4 total. Clerkenwell experienced another subdued quarter, reporting only 71,000 sq ft as constrained supply continues to restrain take-up in the submarket.

AVAILABILITY AND DEVELOPMENT

The availability of office stock in Midtown was 745,000 sq ft for Q4 2019, a 27% decline from Q3. This equates to a reduced vacancy rate of 2.1% for the market. The completion of Kaleidoscope, EC1 (97,000 sq ft), and the refurbishment of One Gray's Inn, WC1 (20,000 sq ft), brought considerable Grade A space to the hungry market, although both remain available. No new schemes broke ground in Q4 2019, suggesting that the restrained supply will continue in the future.

Schemes currently under construction in Midtown total 926,000 sq ft, of which 55% is pre-let leaving 420,000 sq ft available. There is just over 510,000 sq ft due for delivery in 2020 of which 81% is currently pre-let. Of the five sites due for completion, only two still have availability totalling just over 100,000 sq ft. Post 2020, the pipeline is currently 22% pre-let. Mainly, Smith & Charter, EC1 remains fully available for pre-let offering 166,000 sq ft due to complete in Q1 2022.

RENTAL GROWTH

Prime rents in Midtown have increased for the second quarter in a row to £70.00 psf in Q4 2019, up from £68.50 psf in Q3 2019. Bloomsbury remains the most expensive submarket per sq ft in Midtown, with prime rents standing at £80.00 psf for the eighth consecutive quarter. Incentives in the submarket have remained stable at 24 months.

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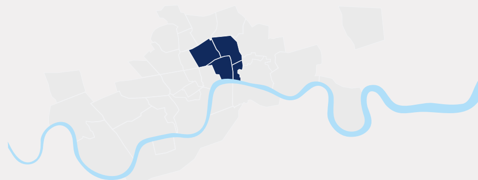
KEY DEALS - Q4 2019

Address	Occupier	Sq Ft
53-64 Chancery Lane, WC2	The Office Group	150,000
Athene Place, EC4	Deloitte Digital	76,497
110 High Holborn, WC1	Knotel	42,750
1 Bartholomew Close, EC1	BDB Pitmans	38,156
10 Bloomsbury Way, WC1	Genius Sports	23,586

TOP TENANT SECTORS

Serviced Offices **65%**

TMT & Creative **34%**



KEY STATS THIS QUARTER

TOTAL TAKE-UP FOR Q4

410,000 sq ft

▲ 23%

UP ON THE 5-YEAR QUARTERLY AVERAGE

2.1%

VACANCY RATE

UNDER CONSTRUCTION

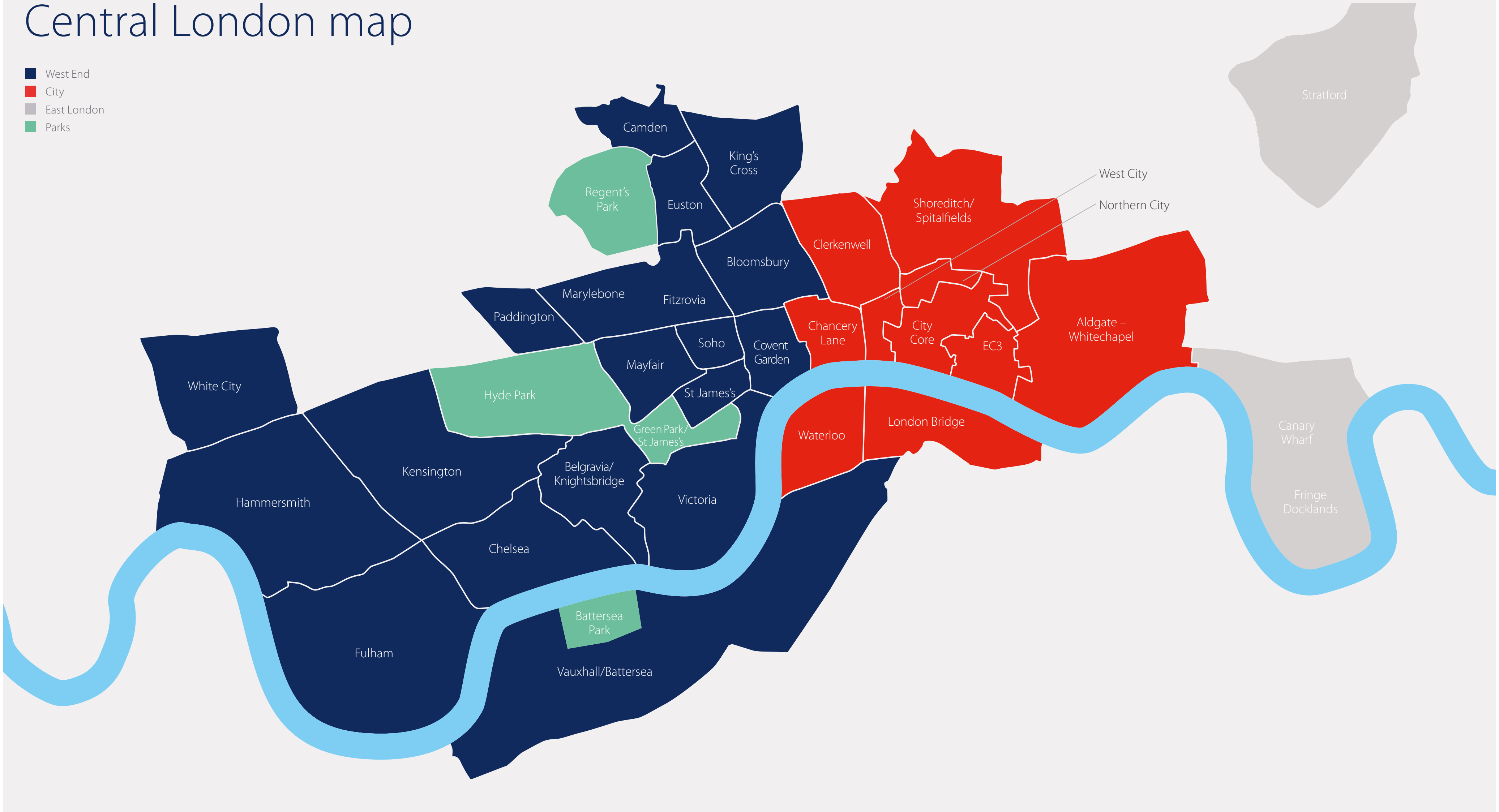
930,000 sq ft

55%
pre-let

£70.00 per sq ft

PRIME RENT

Central London map



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	£115.00	24	£51.37	£176.62
St James's	£115.00	24	£49.00	£174.25
Soho	£95.00	24	£43.73	£148.98
Belgravia / Knightsbridge	£92.50	24	£41.62	£144.37
Chelsea	£95.00	22	£38.99	£144.24
North of Oxford St	£85.00	24	£41.62	£136.87
Kensington	£72.50	22	£46.36	£129.11
Fitzrovia	£82.50	24	£35.56	£128.31
Covent Garden	£85.00	24	£31.61	£126.86
King's Cross	£80.00	24	£33.19	£123.44
Victoria	£77.50	24	£35.50	£123.25
Bloomsbury	£80.00	24	£31.87	£122.12
Euston	£75.00	24	£29.24	£114.49
Paddington	£75.00	24	£28.19	£113.44
Camden	£60.00	24	£28.19	£98.44
Battersea PS	£60.00	24	£16.07	£86.32
Hammersmith	£52.50	24	£22.13	£84.88
Vauxhall	£58.00	24	£16.07	£84.32
Fulham	£47.50	24	£21.07	£78.82
White City	£55.00	24	£8.96	£74.21

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	24	£26.77	£127.02
Holborn	£70.00	24	£29.24	£109.49
City Core	£70.00	24	£27.13	£107.38
West City	£70.00	24	£27.13	£107.38
Clerkenwell	£75.00	24	£24.50	£109.75
EC3	£67.50	24	£27.92	£105.67
London Bridge	£65.00	24	£27.40	£102.65
Waterloo	£70.00	24	£23.97	£104.22
Northern City	£70.00	24	£20.81	£101.06
Shoreditch/Spitalfields	£67.50	24	£18.97	£96.72
Aldgate/Whitechapel	£57.50	24	£21.07	£88.82

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	£13.43	£66.18
Stratford	£45.00	30	£8.96	£64.21
Other Docklands	£32.50	30	£10.54	£53.29

CHRIS GORE
Principal

> **There were 7 acquisitions by North American investors in Q4 2019, up from just 2 in Q3 2019 and of which over half had lot sizes above £100 million.**

Investment market – in brief

BORIS BOUNCE

After a subdued 2019, the final month of the year 2019 saw a considerable boost to investment volumes following improved sentiment brought by the Conservative victory in the general election. Central London volumes for the 4th quarter of the year reached £4.8 billion, which was up on the preceding quarter by 87% and above the 10-year average by 31%.

Q4 2019 was the busiest final quarter of the year since 2014. December 2019 was one of the single strongest months on record. PonteGadea purchased The Post Building, WC1 for £610 million, EPF purchased Premier Place, EC2 for £327 million (4.25 %), KWAP purchased 100 Cheapside, EC2 for £141 million (4.10% NIY) and DEKA purchased 40 Chancery Lane, WC2 for £123.5 million (4.25% NIY).

BIG IS BACK

There were five deals above £250 million in the fourth quarter which was considerably above the first three quarters of the year combined during which only two deals above this level were recorded, albeit Citi's acquisition of 25 Canada Square, E14 in Q1 2019 was the largest deal of the year with a purchase price of £1.1 billion. The sale of 25 Canada Square, E14 made up 9% of total 2019 investment volumes alone. Volumes are increasingly driven by a few large deals due to a distinct lack of stock. The sale of 25 Canada Square, E14 made up 9% of total 2019 investment volumes and the sale of the Post Building, WC1 made up 13% of Q4 volumes alone.

With 2019 having seen no pricing growth due to uncertainty and a lack of depth to demand, London now stands at a considerable pricing discount to mainland Europe which is driving investment activity from investors attracted by the relative good value and potential for capital appreciation. With demand now returning to the London market, prime City Core yields contracted 25 bps for the fourth quarter of the year.

BULLISH BUYERS

A return to activity at the year end from investor groups who were quieter while uncertainty endured, created a significant boost to total investment volumes in Q4 2019. This was particularly true of Malaysian, German and North American investors which made up a combined 35% of total investment volumes, compared to just 7% in Q3 2019.

Malaysian investor KWAP re-entered the market in Q4 2019 with its purchase of 100 Cheapside for £141 million after a hiatus of over five years. Similarly, Malaysia's EPF acquired Premier Place, EC2 via CBREGi, which was their first acquisition since their purchase of Battersea Power Station, SW8 which was a joint venture with fellow Malaysian PNB.

Furthermore, German investors including DEKA and REInvest bought in the City in Q4 following a longer period of subdued activity from German Funds. DEKA were repeat buyers during the quarter acquiring both 40 Chancery Lane, WC2 for £123.5 million (4.25% NIY) and 51 Moorgate, EC2 for £61.75 million (4.00% NIY). Likewise, REInvest acquired Aurum, Lombard Street, EC3 for £76.5 million (4.16% NIY), which is fully let to St James's Place Wealth Management.

There were 7 acquisitions by North American investors in Q4 2019, (up from just 2 in Q3 2019), of which over half had lot sizes above £100 million. Following a 3 year hiatus, North American investor Brookfield was also a repeat buyer in Q4 2019 with acquisitions at London Wall Place, EC2 where they consolidated their holding and acquired Oxford Properties' 50% stake for £354 million (4.20% NIY) and Nexus Place, EC4 which it acquired for £169.4 million (4.78% NIY).

BREXIT

A lack of stock and heightened political uncertainty in 2019 led to the lowest annual investment volumes since 2011; however the performance in the final quarter is evidence that confidence appears to have been restored with the strong occupational market fundamentals back in focus, driving interest for core and value-add stock. Overseas investors who were put off London during the midst of uncertainty are increasingly looking to London as a safe haven while their own countries manage other political issues. This provides London with much needed context on the global stage, and to many offering fair value when compared to core yields in most of the mature European markets.

Investment commentary

Investment volumes reached £4.8 billion for Q4 2019, 31% above the 10-year average and 11% above the same period in 2018, representing a significant pick-up in activity after the General Election. Overall, 2019 investment volumes totalled £12 billion which was 34% down on 2018 and 20% down on the 10-year average. There were a total of 57 transactions recorded in Central London in Q4 2019 which was 5% below the 10-year average and 15% below the same period in 2018. This suggests a rise in average lot size in order to explain higher overall volumes.

Q4 2019 recorded 14 deals over £100 million signifying a return to investor confidence in the market. By comparison, the first three quarters of the year saw a total of 17 deals over £100 million. The largest transaction in Q4 2019 was Ponte Gadea's acquisition of the Post Building, WC1 for £610 million, which was the largest West End investment sale by lot size since 2013. The second largest transaction, and the largest in the City market, was M&G's purchase of Gotham City, 40 Leadenhall Street, EC3 for £355 million. The two aforementioned investment transactions signify continued interest by investors in both core long-income and value-add stock.

The City market was the star performer for Q4 2019 with volumes reaching £3.1 billion, 56% above the 10-year average and 16% above the same period in 2018. In addition to the acquisition of Gotham City, EC3 by M&G, there were a further nine deals above £100 million, and 25 deals under £100 million. The majority of purchasers came from overseas making up a massive 74% of total City investment volumes, and eight out of ten transactions which were above £100 million were by overseas investors. European investors made up 26%, Asian investors 25% and North American investors 24% of total investment activity. Despite a strong Q4 2019, a weak start to the year meant total 2019 volumes reached £6.7 billion, 17% below the 10-year average and 40% below 2018.

In the West End, investment volumes reached £1.6 billion which was 10% above the 10-year average and 7% above the same period in 2018. There were three transactions over £100 million in the West End, close to half of the annual total of seven.

The purchaser breakdown changed dramatically from Q3 to Q4 2019 with overseas investors accounting for 81% of purchaser activity in Q4 2019, up from just 21% in Q3 and reflecting the return of overseas interest following greater certainty brought by the election. A weak start to the year, despite a return to strength in the final quarter, took 2019 West End investment volumes to £3.6 billion which was 37% down on the 10-year average and 45% down on 2018.

East London investment volumes totalled £110 million for Q4 2019 with just one deal recorded, the purchase of 17 Columbus Courtyard, E14 by a JV between Macquarie, Sun Hung Kai & Co and DPK Quay. Due to Citi Group's purchase of 25 Canada Square, E14 for £1.1 billion in Q1 2019, 2019 was the strongest year for East London investment volumes since 2014 and the fourth strongest year of all time, 50% up on the 10-year average.

YIELDS

City prime yields contracted slightly in Q4 2019 as investor interest returned to drive pricing upwards. The City Core prime yield now stands at 4.00%. West End prime yields remained stable across all submarkets including Mayfair / St James's where yields continue to stand at 3.50%, unchanged since 2016.

> "In the West End, investment volumes reached £1.6 billion which was 10% above the 10-year average and 7% above the same period in 2018.

KEY STATS THIS QUARTER

TRANSACTION VOLUMES

£4.8 billion

▲ **31%**

UP ON THE 10-YEAR QUARTERLY AVERAGE

VOLUMES BY MARKET

CITY	WEST END	EAST LONDON
£3.1 billion	£1.6 million	£110 million

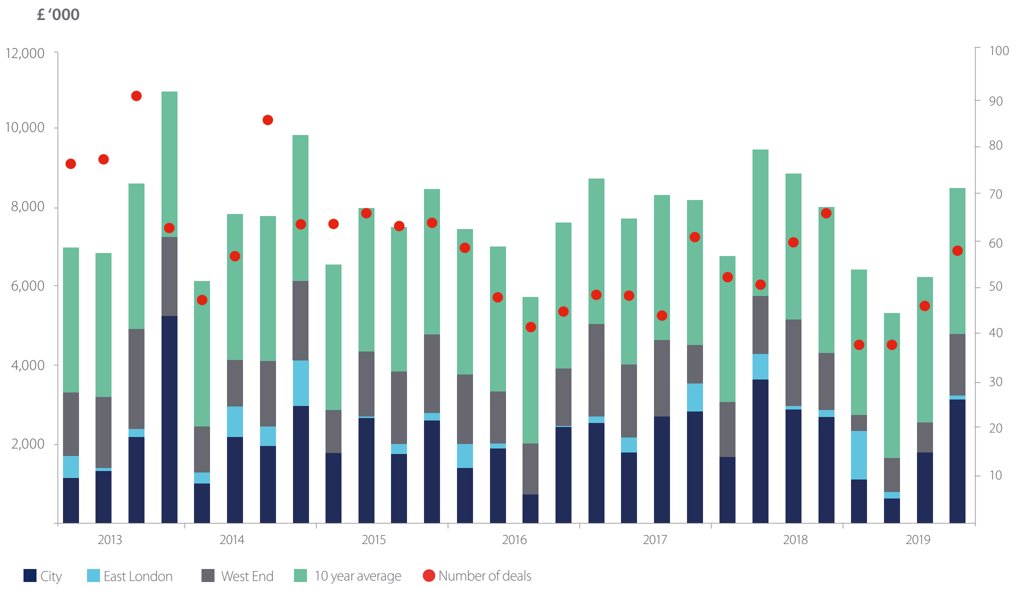
VOLUMES BY INVESTOR TYPE

OVERSEAS INVESTORS	UK INSTITUTIONS	UK PROPERTY COMPANIES
77%	11%	10%

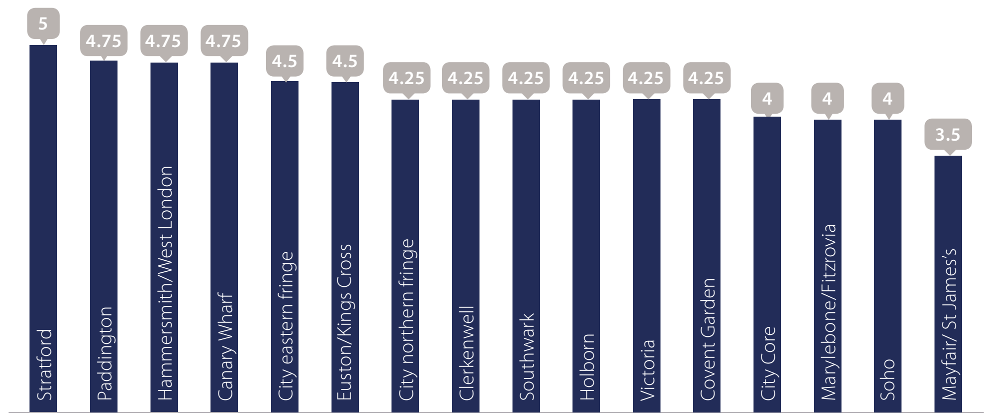
▼ **4.00%** CITY PRIME YIELD

▶ **3.50%** WEST END PRIME YIELD

CENTRAL LONDON QUARTERLY VOLUMES VS NUMBER OF DEALS



CENTRAL LONDON YIELDS Q4 2019



LARGEST INVESTMENT DEALS OF Q4 2019

Address	Price (£m)	Yield (%)	Month	Purchaser
Post Building, Museum Street, WC1	610	3.95	Dec-19	PonteGadea
Gotham City, 40 Leadenhall, EC3	355	VP	Dec-19	M&G Real Estate
London Wall Place, EC2	354	4.20	Nov-19	Brookfield
Premier Place, EC2	327	4.25	Dec-19	EPF
Alban Gate, London Wall, EC2	285	5.90	Dec-19	King Street Capital

NEWLY AVAILABLE ON MARKET Q4 2019

Address	Vendor	Price (£m)	Yield (%)
The Cabot, 25 Cabot Square, E14	Hines	390	4.75
Sanctuary Buildings, SW1	Hana	285	4.20
Cannon Green, EC4	Kiwoom	140	4.50
5 St James's Square, SW1	Ocubis	75	2.90
Camden Works, NW1	Hermes	43.4	5.00

Should you wish to discuss any details within this update please get in touch.

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