

The City Of London Experienced Record Levels Of Commercial Investment Turnover In 2013

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Strutt & Parker reports that new sources of capital have reinforced the City market pushing investment activity to £11.8bn, the highest amount transacted in the City to date. The figure represents an increase of 37% on 2012 and 21% on 2007, which achieved the second highest transaction volumes this century.

Aidan Meynell, head of Strutt & Parker's City investment and development team said:

"The sale of 50% of the Broadgate Complex for circa £1.7bn, and the acquisition of More London for a similar figure illustrate London's significant appeal to the world's largest investors as they seek to diversify across asset classes and regions."

2013 experienced a continuation in the trend for transactions over £200m in the City with £6.5bn (55%) of deals carried out in this segment of the market, according to Strutt & Parker's research, which reinforces the scale of international investor appetite. Activity in this segment has been driven almost entirely by foreign buyers with UK investors accounting for just 8% of the total. There was increased activity below £100m, a market typically driven by domestic buyers, who accounted for over 50% of investment on smaller lot sizes.

Strutt & Parker's findings show that 77% of all City investments in 2013 were acquired by foreign buyers with total UK investor activity standing at 23%. The market was dominated by buyers from the Middle East, South East and East Asia who together made up over 50% of buyers.

Stephanie McMahon, head of research at Strutt & Parker added:

"The drivers for investment differ dramatically, with global investors seeking regional diversity within politically and economically safe environments, compared with domestic investors seeking to maintain exposure to the Central London market and take advantage of the current occupier demand and supply dynamic which is anticipated to deliver strong rental growth."

The balance of ownership in the City continues to change, according to Strutt & Parker's research, with the majority of owners now being of overseas origin. The recent UK institutional trend of disinvestment is reversionary with more domestic investors seeking investment opportunities.

Strutt & Parker believe that the weight of capital targeted at this market has driven prime yields below 4.75% and that prime assets may well trade below 4.25% during this year.

Aidan Meynell said:

"Our view is that yields will reach 4.25% by the end of 2014 due to the weight of money in the market and growing investor appetite."

Stephanie McMahon concluded:

"The top five City deals of 2013 provide a strong indication of where 2014 is heading and the big investors will continue to come from the Asian and Middle Eastern regions, with new entrants expected from the Americas. Asian insurance companies are only just starting to extend their reach outside of their domestic markets and we expect them to increasingly look to the UK property market, and specifically London, in the short term as they expand and diversify their investment portfolios."

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