QUARTERLY SOUTH-EAST OFFICE INVESTMENT MARKET SNAPSHOT

ACRE CAPITAL REAL ESTATE

JULY 2017

ACRE Capital are very pleased to present our first South-East office investment market snapshot which we will be publishing quarterly.

Please share any feedback with us!

INVESTMENT MARKET DASHBOARD

INVESTMENT VOLUMES YTD

£1.23bn

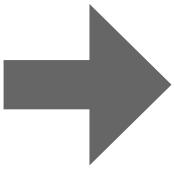
INVESTMENT VOLUMES Q2

£776m

INVESTOR SENTIMENT

5/10

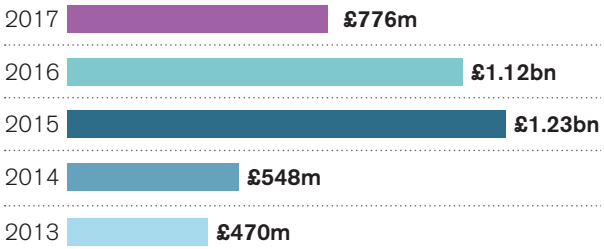
PRIME YIELDS



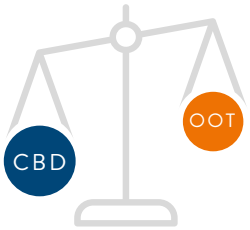
5.25%

Trending: Stable

INVESTMENT VOLUMES Q2 VS PREVIOUS YEARS



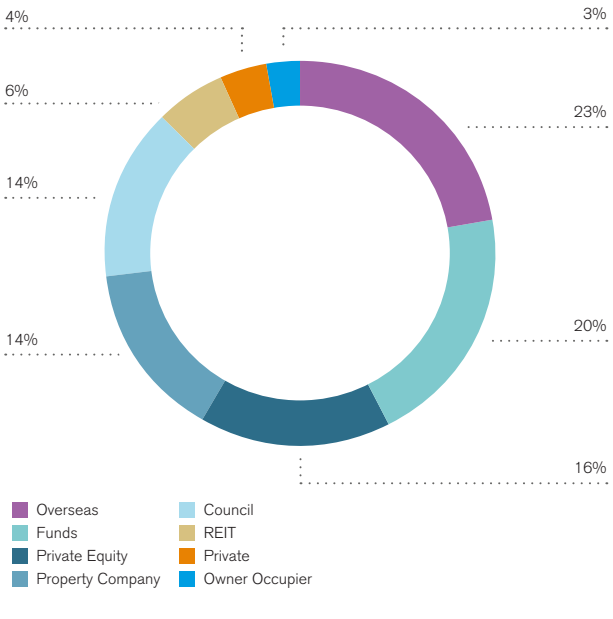
INVESTOR DEMAND CBD VS OUT OF TOWN



INVESTMENT SUPPLY LEVELS

4/10

Q2 BUYER PROFILE



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OCCUPATIONAL MARKET SNAPSHOT

HEADLINE RENTS

Trending: Up

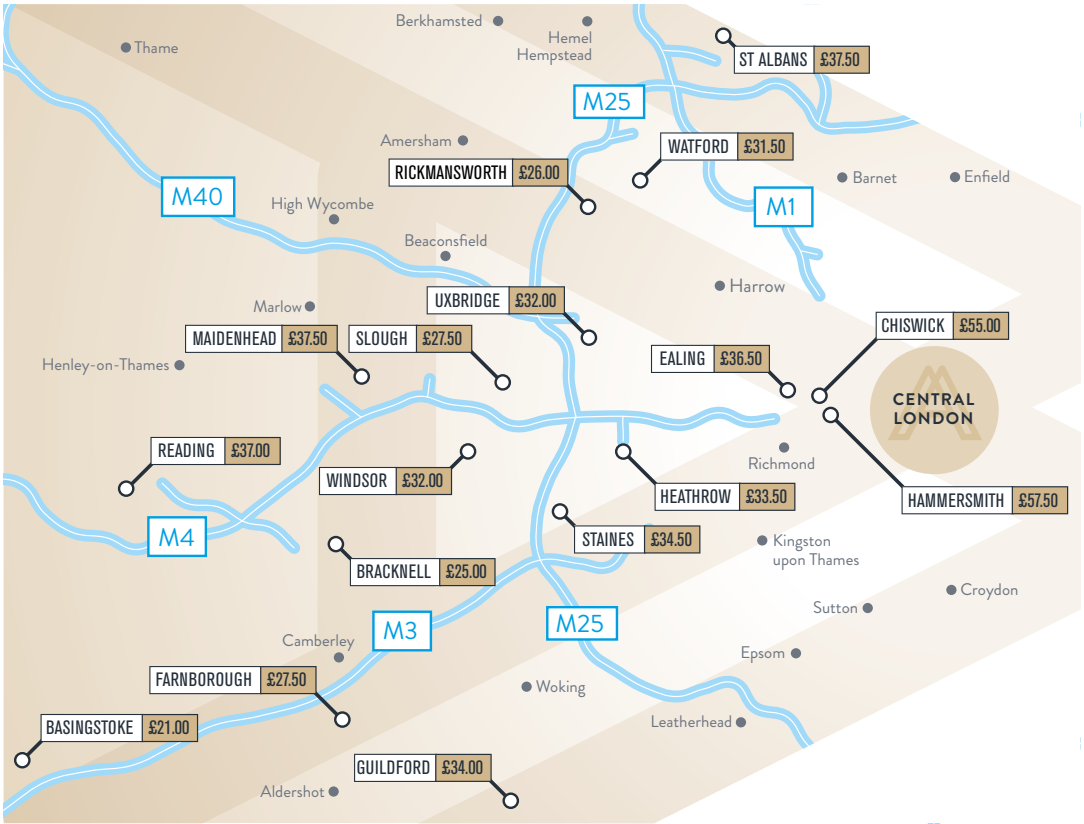
INCENTIVES

Trending: Stable

VOIDS

Trending: Stable

RENTAL MAP



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ACRE CAPITAL COMMENTARY

- Limited availability of quality office stock or properties with 10 year + lease terms, despite strong demand for these assets
- Marked distinction in investor appetite and pricing for prime vs secondary assets
- Discount on office pricing relative to industrial is attracting buyers to the sector
- Demand for 'PDR' opportunities remains very strong
- Councils have been comparatively less active in Q2 but this is a positive for other investors
- There is little evidence of 'repeat buyers'
- Investors are being more forensic in their underwriting and transactions are taking longer to complete

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KEY INVESTMENT TRANSACTIONS & KEY INVESTMENT AVAILABILITY

KEY DEALS

3 ROUNDWOOD AVENUE, STOCKLEY PARK

DATE TRANSACTED	JUL-17
PURCHASE PRICE	£21,400,000
NIY	6.24%
CAP VAL (PSF)	£496
AREA (SQ FT)	43,110
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	4.5
PASSING RENT £PA (£PSF)	£1,425,961 (£33.49)
PURCHASER	SPELTHORNE BOROUGH COUNCIL

THE PINNACLE, READING

DATE TRANSACTED	JUN-17
PURCHASE PRICE	£13,432,640
NIY	6.75%
CAP VAL (PSF)	£322
AREA (SQ FT)	41,721
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	2
PASSING RENT £PA (£PSF)	£968,359 (£24.35)
PURCHASER	STANDARD LIFE

1 QUEEN CAROLINE STREET, HAMMERSMITH

DATE TRANSACTED	JUN-17
PURCHASE PRICE	£77,795,000
NIY	5.65%
CAP VAL (PSF)	£931
AREA (SQ FT)	83,561
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	7.00
PASSING RENT £PA (£PSF)	£4,700,000 (£56.25)
PURCHASER	TILAD GROUP

400, 450 & 475 THE BOULEVARD, CAPABILITY GREEN, LUTON

DATE TRANSACTED	JUN-17
PURCHASE PRICE	£19,990,000
NIY	7.50%
CAP VAL (PSF)	£216
AREA (SQ FT)	92,351
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	4.75
PASSING RENT £PA (£PSF)	£1,600,295 (£17.33)
PURCHASER	THREADNEEDLE

THE RIVERS OFFICE PARK, RICKMANSWORTH

DATE TRANSACTED	JUN-17
PURCHASE PRICE	£33,500,000
NIY	6.58%
CAP VAL (PSF)	£322
AREA (SQ FT)	104,181
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	6.90
PASSING RENT £PA (£PSF)	£2,354,861 (£23.59)
PURCHASER	DARIN PARTNERS

HAYS HOUSE, GUILDFORD

DATE TRANSACTED	JUN-17
PURCHASE PRICE	CONFIDENTIAL
NIY	CONFIDENTIAL
CAP VAL (PSF)	CONFIDENTIAL
AREA (SQ FT)	18,250
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	4.11
PASSING RENT £PA (£PSF)	£520,034 (£28.49)
PURCHASER	UK FUND

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KEY AVAILABILITY

DEVONHURST PLACE, CHISWICK

DATE TO MARKET	JUL-17
PURCHASE PRICE	£10,000,000
NIY	3.40%
CAP VAL (PSF)	£452
AREA (SQ FT)	22,143
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	0.80
PASSING RENT £PA (£PSF)	£362,185 (£30.64)
VENDOR	BLACKSTONE

TVP1, THAMES VALLEY PARK, READING

DATE TO MARKET	JUN-17
PURCHASE PRICE	£13,525,000
NIY	VP
CAP VAL (PSF)	£185
AREA (SQ FT)	73,108
TENANCY DETAILS	VP
WAULT (YEARS)	VP
PASSING RENT £PA (£PSF)	VP
VENDOR	BMO

WATCHMOOR PARK, CAMBERLEY

DATE TO MARKET	JUN-17
PURCHASE PRICE	£50,150,000
NIY	8.25%
CAP VAL (PSF)	£195
AREA (SQ FT)	257,500
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	3.80
PASSING RENT £PA (£PSF)	£4,418,156 (£17.16)
VENDOR	OAKTREE

THE BLADE, ABBEY SQUARE, READING

DATE TO MARKET	JUN-17
PURCHASE PRICE	£42,300,000
NIY	7.25%
CAP VAL (PSF)	£386
AREA (SQ FT)	109,449
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	2.30
PASSING RENT £PA (£PSF)	£3,274,437 (£29.92)
VENDOR	AVIVA

61-63 LONDON ROAD, REDHILL

DATE TO MARKET	JUN-17
PURCHASE PRICE	£22,960,000
NIY	6.00%
CAP VAL (PSF)	£443
AREA (SQ FT)	51,839
TENANCY DETAILS	LET TO TRAVELERS MAN-AGEMENT & PSA FINANCE
WAULT (YEARS)	9.79
PASSING RENT £PA (£PSF)	£1,470,641 (£28.75)
VENDOR	CANMOOR / SAVILLS IM

1 ARLINGTON SQUARE, BRACKNELL

DATE TO MARKET	MAY-17
PURCHASE PRICE	£24,300,000
NIY	6.00%
CAP VAL (PSF)	£288
AREA (SQ FT)	84,583
TENANCY DETAILS	MULTI-LET
WAULT (YEARS)	4.40
PASSING RENT £PA (£PSF)	£1,557,378 (£19.58)
VENDOR	THREADNEEDLE

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ACRE CAPITAL EXPECT

- Landlords who have undertaken high-quality, contemporary refurbishments with a focus on amenity and well-being to continue to be rewarded in occupational performance
- Investment valuations on secondary assets to soften in line with buyer expectations and achievable pricing
- The Q4 investment pipeline will improve, but not materially

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