Increasing evidence is emerging of secondary pricing slipping, which resulted in the market being frustrated by a lack of new stock being launched.

Significantly, there were no transactions of over £75 million and the average lot size was only £17.1 million vs. the 10-year average of £22.5 million.

Perhaps not unexpectedly, the majority of deals transacted were of sales launched in Q4 2017 and not ‘new’ deals.

In Q1 2018, there was subdued investment activity from new entrants who perceive this as one of the sub-sectors of the market continuing to benefit from rental growth and infrastructure improvements which can stimulate occupational demand.

Ongoing construction projects in this sub-sector of the market are expected to further influence this trend.
Income rather than capital growth to drive returns and steer investment demand in this sub-sector of the market. The re-basing of pricing for secondary assets will continue the re-invigoration of the market. Increasing evidence is emerging of secondary pricing slipping, which resulted in a decrease in volumes. The market has been frustrated by a lack of new stock being launched, with the size of transactions declining to £17.1 million vs. the 10-year average of £22.5 million. Significantly, there were no transactions of over £75 million and the average lot size was £25.27 million. Perhaps not unexpectedly, the majority of deals transacted were of sales launched in Q1 2018, which was a subdued quarter, with investment volumes in line with Q1 2017 and down on 2015 & 2016. The best value sectors were the prime Yields, with key investments such as VW Financial HQ, Milton Keynes, and British Gas HQ, Oxford Business Park.
Q1 2018 was a subdued quarter, with investment volumes in line with Q1 2017 and the 10-year Q1 average, but down on 2015 & 2016.

Perhaps not unexpectedly, the majority of deals transacted were of sales launched in Q4 2017 and not ‘new’ deals.

Significantly, there were no transactions of over £75 million and the average lot size was only £17.1 million vs. the 10-year average of £22.5 million.

The market has been frustrated by a lack of new stock being launched.

Increasing evidence is emerging of secondary pricing slipping, which resulted in increased investment activity from new entrants who perceive this as one of the best value sectors.

### Key Investment Transactions & Key Investment Availability

#### Key Deals

<table>
<thead>
<tr>
<th>Aircraft Factory, Hammersmith</th>
<th>Harman House, Uxbridge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date Transacted</strong></td>
<td><strong>FEB-18</strong></td>
</tr>
<tr>
<td><strong>Purchase Price</strong></td>
<td>£63,000,000</td>
</tr>
<tr>
<td><strong>NIY (%)</strong></td>
<td>6.50</td>
</tr>
<tr>
<td><strong>CAP Val (PSF)</strong></td>
<td>£813</td>
</tr>
<tr>
<td><strong>Area (SQ FT)</strong></td>
<td>77,502</td>
</tr>
<tr>
<td><strong>Tenancy Details</strong></td>
<td>Multi-let</td>
</tr>
<tr>
<td><strong>Wault (Years)</strong></td>
<td>4.25</td>
</tr>
<tr>
<td><strong>Passing Rent LPA (£PSF)</strong></td>
<td>£4,373,460 (£56.43)</td>
</tr>
<tr>
<td><strong>Purchaser</strong></td>
<td>Legal &amp; General</td>
</tr>
</tbody>
</table>
**INVESTMENT MARKET SNAPSHOT**

**QUARTERLY SOUTH-EAST OFFICE**

**Headline Rents**

<table>
<thead>
<tr>
<th>Property</th>
<th>Type</th>
<th>Rents (£/PA)</th>
<th>P/PSF (£PSF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRITISH GAS HQ, OXFORD BUSINESS PARK</td>
<td>Office</td>
<td>£463m</td>
<td>£907,483 (£35.59)</td>
</tr>
<tr>
<td>KINGS GATE, 62 HIGH STREET, REDHILL</td>
<td>Office</td>
<td>£3.4bn</td>
<td>£1,401,273 (£21.78)</td>
</tr>
</tbody>
</table>

**Trending: Stable**

**Key Availability**

- **M4**
- **M1**
- **M25**
- **M3**
- **M40**

**Investor Demand**

- **CBD**
- **M3**
- **M40**
- **M25**
- **M3**

**Headline Transactions**

<table>
<thead>
<tr>
<th>Property</th>
<th>Details</th>
<th>Date Transacted</th>
<th>Purchase Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRITISH GAS HQ, OXFORD BUSINESS PARK</td>
<td>Sold to Mayfair Capital</td>
<td>JAN-18</td>
<td>£35,037,000</td>
</tr>
<tr>
<td>KINGS GATE, 62 HIGH STREET, REDHILL</td>
<td>Sold to Kames Capital</td>
<td>MAR-18</td>
<td>£10,650,000</td>
</tr>
<tr>
<td>RIVERSIDE WALK, WINDSOR</td>
<td>Sold to Kames Capital</td>
<td>JAN-18</td>
<td>£15,900,000</td>
</tr>
<tr>
<td>1 LONDON ROAD, SOUTHAMPTON</td>
<td>Sold to Chelsea Estates</td>
<td>JAN-18</td>
<td>£5,585,000</td>
</tr>
</tbody>
</table>

**Key Deals**

- **JAMES LEACH**
- **MARK WILSON**

**Contact**

- **James Leach**
  - Phone: 020 3903 4372
- **Mark Wilson**
  - Phone: 020 3903 4369

**ACRE CAPITAL COMMENTARY**

**ACRE CAPITAL EXPECT**

- **JAMES LEACH**
- **MARK WILSON**
  - Phone: 020 3903 4372

**INVESTMENT MARKET DASHBOARD**

**INVESTMENT VOLUMES Q1 VS PREVIOUS YEARS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Property Companies</th>
<th>Owner Occupier</th>
<th>Private</th>
<th>Council</th>
<th>REIT's / Listed Property Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5/10</td>
<td>5.25%</td>
<td>4.6%</td>
<td>4.4%</td>
<td>5.6%</td>
</tr>
<tr>
<td>2017</td>
<td>4/10</td>
<td>5.1%</td>
<td>4.6%</td>
<td>4.4%</td>
<td>5.6%</td>
</tr>
<tr>
<td>2018</td>
<td>4/10</td>
<td>5.1%</td>
<td>4.6%</td>
<td>4.4%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>
### INVESTMENT MARKET SNAPSHOT

**QUARTERLY SOUTH-EAST OFFICE**

**HEADLINE RENTS**

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Year</th>
<th>Area (sq ft)</th>
<th>Passing Rent (£pa)</th>
<th>Cap Val (PSF)</th>
<th>NIY</th>
<th>Quoting Price</th>
<th>Date to Market</th>
<th>Date Transacted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>British Gas HQ, Oxford Business Park</strong></td>
<td>2018</td>
<td>4,896</td>
<td>£22.5</td>
<td>£1,694,760</td>
<td>5.35%</td>
<td>£21,500,000</td>
<td>Jan-18</td>
<td>Jan-18</td>
</tr>
<tr>
<td><strong>Aircraft Factory, Hammersmith</strong></td>
<td>2018</td>
<td>3,043</td>
<td>£20.3</td>
<td>£612,000</td>
<td>5.35%</td>
<td>£612,000</td>
<td>Apr-18</td>
<td>Jan-18</td>
</tr>
<tr>
<td><strong>Riverside Walk, Windsor</strong></td>
<td>2018</td>
<td>1,234</td>
<td>£19.6</td>
<td>£352,000</td>
<td>5.35%</td>
<td>£352,000</td>
<td>Apr-18</td>
<td>Apr-18</td>
</tr>
<tr>
<td><strong>ACRE Capital Commentary</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**KEY AVAILABILITY**

**VW FINANCIAL HQ, Milton Keynes**

- **Date to Market:** Mar-18
- **Quoting Price:** £46,530,000
- **NIY:** 5.15%
- **CAP VAL (PSF):** £460
- **Area (sq ft):** 101,237
- **Tenancy Details:** VW Financial
- **Vault (Years):** 16.6
- **Passing Rent LPA (£PSF):** £2,558,533 (£25.27)
- **Vendor:** UK & European Investments

**Pinnacle, Wimbledon**

- **Date to Market:** Feb-18
- **Quoting Price:** £44,250,000
- **NIY:** 5.0%
- **CAP VAL (PSF):** £1,016
- **Area (sq ft):** 43,542
- **Tenancy Details:** Kindred (London) Ltd
- **Vault (Years):** 9.1
- **Passing Rent LPA (£PSF):** £2,362,122 (£54.00)
- **Vendor:** Aviva Investors

**3 Arlington Square, Bracknell**

- **Date to Market:** Feb-18
- **Quoting Price:** £21,800,000
- **NIY:** 6.50%
- **CAP VAL (PSF):** £324
- **Area (sq ft):** 67,376
- **Tenancy Details:** Multi-let
- **Vault (Years):** 3.40
- **Passing Rent LPA (£PSF):** £1,510,870 (£22.67)
- **Vendor:** TPG

**Edward Hyde Building, Watford**

- **Date to Market:** Mar-18
- **Quoting Price:** £21,500,000
- **NIY:** 6.10%
- **CAP VAL (PSF):** £285
- **Area (sq ft):** 75,470
- **Tenancy Details:** Multi-let
- **Vault (Years):** 1.03
- **Passing Rent LPA (£PSF):** £1,401,273 (£21.78)
- **Vendor:** Legal & General
• Strong levels of investment demand for prime investment opportunities will continue

• The re-basing of pricing for secondary assets will continue the re-invigoration this sub-sector of the market

• Income rather than capital growth to drive returns and steer investment demand

• Investors should focus on locations set to benefit from regeneration or infrastructure improvements which can stimulate occupational demand and rental growth

**ACRE CAPITAL EXPECT**

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**OBSERVATORY HOUSE, BRACKNELL**

<table>
<thead>
<tr>
<th>DATE TO MARKET</th>
<th>MAR-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUOTING PRICE</td>
<td>£9,710,000</td>
</tr>
<tr>
<td>NIT</td>
<td>6.75%</td>
</tr>
<tr>
<td>CAP VAL (PSF)</td>
<td>£248</td>
</tr>
<tr>
<td>AREA (SQ FT)</td>
<td>39,166</td>
</tr>
<tr>
<td>TENANCY DETAILS</td>
<td>TILNEY SERVICES LTD</td>
</tr>
<tr>
<td>VAULT (YEARS)</td>
<td>6.50</td>
</tr>
<tr>
<td>PASSING RENT (PA (PSF))</td>
<td>£699,630 (£17.86)</td>
</tr>
<tr>
<td>VENDOR</td>
<td>MAYFAIR CAPITAL</td>
</tr>
</tbody>
</table>

**4500 PARKWAY, SOLENT BUSINESS PARK**

<table>
<thead>
<tr>
<th>DATE TO MARKET</th>
<th>MAR-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUOTING PRICE</td>
<td>OFFERS INVITED</td>
</tr>
<tr>
<td>NIT</td>
<td>OFFERS INVITED</td>
</tr>
<tr>
<td>CAP VAL (PSF)</td>
<td>OFFERS INVITED</td>
</tr>
<tr>
<td>AREA (SQ FT)</td>
<td>56,900</td>
</tr>
<tr>
<td>TENANCY DETAILS</td>
<td>MULTI-LET</td>
</tr>
<tr>
<td>VAULT (YEARS)</td>
<td>3.00</td>
</tr>
<tr>
<td>PASSING RENT (PA (PSF))</td>
<td>£781,876 (£14.24)</td>
</tr>
<tr>
<td>VENDOR</td>
<td>COLUMBIA THREADNEEDLE</td>
</tr>
</tbody>
</table>

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**QUARTERLY SOUTH-EAST OFFICE**

- **VENDOR**
  - **AVAILABILITY**
  - **DATE TRANSACTED**
  - **PASSING RENT (£PA)**
  - **NIY (5.00%)**
  - **CAP VAL (£PSF)**
  - **PURCHASE PRICE (£) **
  - **WAULT (YEARS)**
  - **TENANCY DETAILS**

- **INVESTMENT VOLUMES YTD**

- **INVESTOR SENTIMENT**

---

**HEADLINE RENTS**

<table>
<thead>
<tr>
<th>£</th>
<th>£</th>
<th>£</th>
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<tbody>
<tr>
<td>463</td>
<td>3.4</td>
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</tr>
<tr>
<td>24.5</td>
<td>10</td>
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<td>27.5</td>
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<td>34.5</td>
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<td>36.0</td>
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<td>38.0</td>
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<td>42.5</td>
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<td>55.0</td>
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<tr>
<td>59.0</td>
<td>10</td>
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</table>

**PRIME YIELDS**

<table>
<thead>
<tr>
<th>£</th>
<th>£</th>
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<tbody>
<tr>
<td>4.6</td>
<td>4.4</td>
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<td>4.6</td>
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<td>4.6</td>
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<tr>
<td>4.6</td>
<td>4.4</td>
</tr>
</tbody>
</table>

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**INVESTMENT MARKET DASHBOARD**

- **& KEY INVESTMENT AVAILABILITY**
- **HEADLINE RENTS**
- **PRIME YIELDS**
- **TRENDING:**
  - Stable
  - Softer
- **INCENTIVES VOIDS**
- **PASSING RENT (£PA)**
- **VAULT (YEARS)**
- **TENANCY DETAILS**
- **AREA (SQ FT)**
- **CAP VAL (£PSF)**
- **NIY (%)**
- **PURCHASE PRICE (£)**
- **DATE TRANSACTED**
- **PURCHASER**
- **VENDOR**

---

**RENTAL MAP**

- **Private Equity**
- **Property Companies**
- **Owner Occupier**
- **Council**

---

**CONTACTS**

- **Holly Richardson**
- **Will Nelson**
- **Edward Hyde**
- **James Leach**
- **Edward Gamble**

---

**A C R E C A P I T A L E X P E C T**
Investors should focus on locations set to benefit from regeneration or increased investment activity from new entrants who perceive this as one of the best value sectors.

PRIME YIELDS

**OBSERVATORY HOUSE, BRACKNELL**
- **5/10**
- **NIY 5.15%**
- **CAP VAL (PSF) £460**
- **DATE TRANSACTED JAN-18**
- **PURCHASE PRICE £35,037,000**
- **NIY 6.50%**
- **PASSING RENT £PA**
- **PURCHASER CHELSEA ESTATES**
- **VENDOR AVIVA INVESTORS**
- **WAULT (YEARS) 4.25**
- **CAP VAL (PSF) £813**
- **DATE TRANSACTED FEB-18**
- **PURCHASE PRICE £63,000,000**

**VW FINANCIAL HQ, MILTON KEYNES**
- **NIY 6.75%**
- **AREA (SQ FT) 39,166**
- **CAP VAL (PSF) £248**
- **DATE TO MARKET FEB-18**
- **PURCHASE PRICE £35,037,000**
- **WAULT (YEARS) 3.40**
- **QUOTING PRICE £21,500,000**
- **DATE TO MARKET MAR-18**
- **VENDOR MAYFAIR CAPITAL**
- **VENDOR TPG**
- **WAULT (YEARS) 4.30**
- **CAP VAL (PSF) £426**
- **NIY 6.50%**
- **DATE TRANSACTED FEB-18**
- **PASSING RENT £PA**
- **DATE TO MARKET FEB-18**
- **PURCHASE PRICE £63,000,000**
- **NIY 6.50%**
- **CAP VAL (PSF) £813**
- **DATE TRANSACTED FEB-18**

INVESTMENT MARKET DASHBOARD

**CBD VS OUT OF TOWN**

OCCUPATIONAL MARKET SNAPSHOT

INVESTMENT VOLUMES YTD INVESTMENT VOLUMES 2017 INVESTOR SENTIMENT

**KEY AVAILABILITY**

**CONTACTS**

**WWW.ACRELLP.COM**