

OFFICES

Investors plough €1.6b into London property

Cash-rich buyers' investment drive into London commercial property continued in November with some £1.5 bn (€1.6 bn) of deals recorded over the last month. The South Korean pension fund NPS was by far the most active buyer with £1.04 bn of London acquisitions (see *Deal in Depth* on page 24), although a number of international players such as the Bank of China, Starwood Capital and Qatari Diar have also been active in the market. Bank of China in particular has acquired the One Lothbury development in the City of London as its new HQ for £100 mln (€110 mln).

The new development consists of 10,600 m² of space in the Square Mile. Similarly, the real estate investment arm of the Qatari government has bought the US embassy building in London's Grosvenor Square. The signing of the agreement with the Qatar-based investment company is the next step in the US plan to relocate to a new, state-of-the-art embassy which should be completed by 2017.

Meanwhile, US private investment firm Starwood Capital has carried out its third acquisition in Europe this year with the purchase of the 13,200 m² City Tower in the City of London for its latest opportunity fund. The investment volume is believed to be in the region of £30 mln though Starwood declined to comment on the financial details.

Sean Arnold, head of European Acquisitions at Starwood Capital, did, however, confirm the volume was on the low side of the firm's



ONE LOTHBURY DEVELOPMENT IN CITY OF LONDON

average investment for a deal. Starwood began negotiating on the deal in the summer before the upsurge in competition and transaction volumes in Q3. 'The market was a little different then,' Arnold said. 'We felt the pricing was attractive, and most importantly in our view it is not commodity real estate, it is not just a generic building. It is a tower building which is rare in Central London and it has a long established history in the market.' Arnold and Desmond Taljaard, chief operating officer of Starwood Capital Europe said there were a number of possible scenarios, including retrofitting and redevelopment in the long term. 'We are about opportunities where we can use our real estate expertise to asset-manage and drive value. City Tower checked all the boxes for us and the price was right,' Arnold added. Earlier this year, Starwood acquired the Golden Tulip hotel chain

and brand out of bankruptcy and invested in a distressed debt opportunity. Prior to that it had not bought anything in Europe from 2006-2008. Taljaard said Starwood has a diverse and research-driven investment strategy. 'We operate as a truly global opportunity fund. We don't allocate capital to particular regions, we don't sit there and say we are going to invest X pounds in the UK, Y euros in Europe or Z in the US.'

Opportunities are compared across regions, Arnold noted. 'So how much we invest in Europe is really based on how good the opportunities are. That said, our focus out of the London office is principally on the UK, France and Germany which are all markets which we have historically invested in successfully. We will look at things outside those core countries based on a relationship or exceptional value but for the most part our hunting territory is the main three markets.' November also marked a return of local investors to the London market with Delancey and Conygar sealing two acquisitions worth a total of €107 mln. AIM-listed Conygar Investment has bought a portfolio of seven buildings in the UK for €50 mln, while a fund advised by Delancey has exchanged contracts with the Crown Estate to acquire the freehold interest in Royal Mint Court for €57 mln. 'This acquisition is our first in the City of London for some time and reflects the opportunities that exist,' Jamie Ritblat, CEO of Delancey said.