INVESTORS’ PREFERENCE FOR £100M+ LONDON TROPHY BUILDINGS REMAINS

- £6.7 billion spent in 2012 to date -

BNP Paribas Real Estate’s latest research reports that despite overall volume of deals over £100m in price being down in 2011 and 2012, the preference for quality, trophy buildings remains very much in place.

In London in 2006, there were 48 deals which were more than £100 million, totalling £8.9 billion. In 2007, this figure rose to 50 deals and £12.6 billion. In 2011, despite economic circumstances, over £6 billion was still spent on £100m+ buildings in 29 deals, and in 2012 to date this figure is £6.7 billion in 32 deals, so this looks on course to rise considerably by the end of the year.

What is interesting is that in 2006 and 2007, the proportion of deals that were £100m+ by value is 61%, and by number of deals, the proportion is 12%. In 2011 and 2012, the proportional figures are almost exactly the same with 60% of total volume and 13% of the number of deals.

Paul Abrey, executive director of investment at BNP Paribas Real Estate, commented: “It is important to understand that the market dynamics between this year and 2006 are very different. Put simply, 2006 was a market where acquisitions occurred through leverage, massively so from the money markets, whereas this is now no longer the case. In 2012, leverage for acquisition is extremely hard to come by – it is virtually non-existent.”

The larger acquisitions being made today are often by companies that have internal resources to buy them, such as sovereign wealth funds, super wealthy individuals or funds for investment. These investor types are mostly from overseas and focused specifically on the London market.

“Although overall volumes traded are down, the continued demand for good quality, large assets demonstrate the drivers behind international investment in London: protection of wealth in a market that has the attractions of depth and transparency in assets that boast the fundamentals of secure, long to medium-term income streams. These trophy buildings also have the qualities necessary to position themselves to take advantage of positive rental growth,” added Abrey.

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About BNP Paribas Real Estate
BNP Paribas Real Estate, leading international real estate provider, offers to its clients a comprehensive range of services that span the entire real estate lifecycle: property development, transaction, consulting, valuation, property management and investment management.
BNP Paribas Real Estate has local expertise on a global scale through its presence in 36 countries through more than 150 offices and 3,400 employees (15 wholly owned subsidiaries and 21 by its alliance network, that represents today more than 3,000 people). BNP Paribas Real Estate is a subsidiary of BNP Paribas.
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Press contact: Alex Tucker, UK Press Officer, +44 (0) 207338 4086 alex.tucker@bnpparibas.com