

Forecast

London remains top market for Middle Eastern investors

■ The firm behind the £85m deal for 1 Pall Mall East has £500m of Middle Eastern money to put to work in London

BY RICHARD WILLIAMS

Investor appetite from the Middle East has been a rare ray of light for the central London investment market this year.

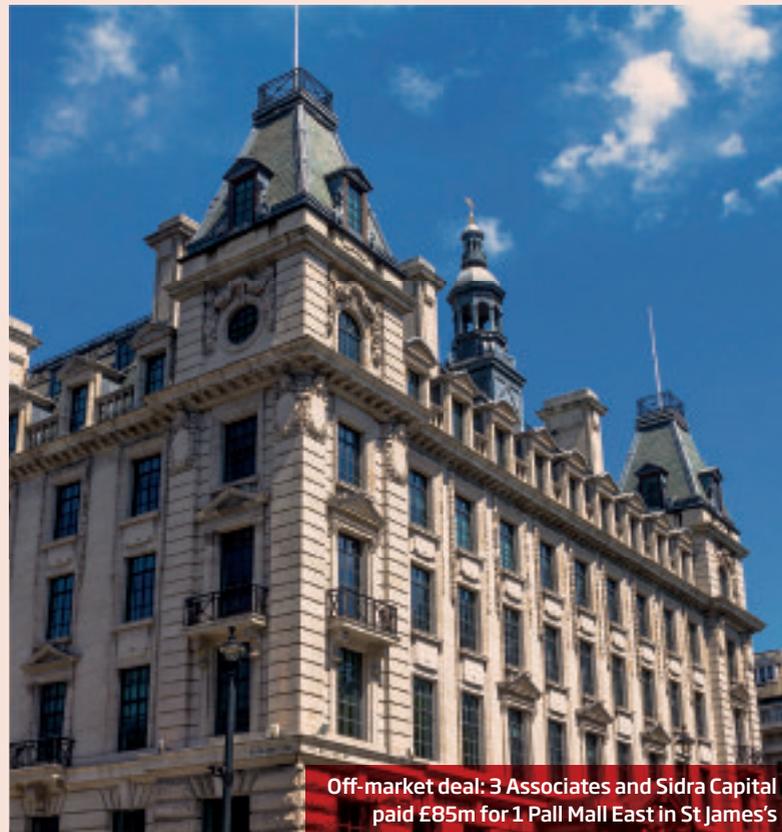
Although the slump in oil prices has affected sovereign wealth funds' spending power, the desire among private investors and investment houses in the region to invest in London real estate is stronger than ever. As domestic investments look increasingly uncertain, they are looking abroad in search of 'safe havens'.

The point is illustrated by last month's £85m off-market deal by multi-family office 3 Associates Capital and Sidra Capital, which is backed by Saudi Arabian firm Al Murjan Group, to buy the 1 Pall Mall East office building in St James's from German fund GLL Real Estate Partners.

In some ways, it is not the sort of investment commonly associated with buyers from the Middle East, whose biggest priority is to find a safe home for their money. McKinsey & Company, which leases the entire office element of the 71,500 sq ft building, has a lease expiry in two years' time and has indicated it will look to move to consolidate with its other office space in the capital.

Top priority

But Jesdev Saggar, managing director of 3 Associates, said factors such as the super-prime location and the historic nature of the building meant the deal had strong appeal for Middle Eastern investors. Indeed, Saggar



Off-market deal: 3 Associates and Sidra Capital paid £85m for 1 Pall Mall East in St James's

said it could have partnered with two other parties from the region on the acquisition.

"After we identified that we could buy this property, we were not short on finding investors who wanted to partner with us to buy it," he said.

"It's not often you get a prime office address in St James's that is an island site and a beautiful building all in one package."

The level of demand generally

from the Middle East is such that Saggar has substantial additional sums of equity to invest in commercial real estate in the capital.

"We remain acquisitive in London at the moment," he said. "There is still a strong appetite for equity investors in the London market and we alone have a target of circa £500m to invest over the next 24 to 36 months."

The uncertainty that has plagued the market and seen UK institutions sit on their hands is not felt so keenly by investors from the Middle East who are still desperate to deploy their money outside the region.

Saggar, who worked for Deloitte

in the Middle East before setting up 3 Associates, added the EU referendum didn't have as much significance for Middle Eastern investors as it did for other overseas investors in UK real estate.

Economists' choice

"We understand the Middle East investor demographic well and they do not see the EU referendum as a risk to the market," he said. "It is relative and they have equal if not bigger challenges to deal with locally, such as oil volatility and political instability. As a result, they continue to look for quality and safety abroad. It is no surprise that London is home to global investors. The art is finding the right assets that will stand the test of time and offer global recognition.

"There is always going to be something happening in the market that will give cause for caution. We took a view that if you wait for all the planets to align, you'll be on the sidelines forever.

"But if you look at the market, it has historically low unemployment rates and the lowest-ever interest rates over a prolonged period, economic growth, no major conflicts and a relatively cheap currency. If you were an economist and asked 'when to invest', we think the fundamentals support that time to be now."

As the looming EU referendum continues to cause a slowdown in the central London investment market, Middle Eastern investors are providing a much-needed shot in the arm. And with many more hundreds of millions of pounds still to find a home in London, the region could provide the prop-up the market needs during the pre-Brexit investment hiatus. ■

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[Middle Eastern investors] do not see the Brexit as a risk to the market

Jesdev Saggar,
3 Associates