

Brexit

London property deals worth more than £650m collapse after Brexit

Large commercial real estate agreements to fall include £465m acquisition of Cannon Place office



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by: **Judith Evans**, Property Correspondent

More than £650m of commercial property deals in the City of London have collapsed following the UK's [vote to leave the EU \(http://www.ft.com/eu-referendum\)](http://www.ft.com/eu-referendum), including the proposed acquisition of a landmark office block by Germany's Union Investment.

The German fund manager had been in advanced discussions to buy Cannon Place, a 389,000 sq ft office scheme on Cannon Street in the City, for about £465m from Hines, the US property developer, according to three people familiar with the talks.

The investment group this week pulled the deal — which would have been one of the largest in the UK this year — after last Thursday’s referendum resulted in a vote to leave the EU, the people said.

Several other London office deals also fell through following the Brexit vote, including the £190m purchase of 1 Wood Street, the London headquarters of the law firm Eversheds, by KanAm, another German real estate investor, according to property agents.

Smaller deals were also called off, such as the £20m purchase of 1 Chancery Lane, a building home to barristers’ chambers, by a Spanish private investor.

Ciaran Carvalho, head of real estate at Nabarro, the law firm, said that the deals being suspended or cancelled were mainly those involving [London offices](http://next.ft.com/content/odbo352-07d8-11e6-b6d3-746f8e9cdd33) (<http://next.ft.com/content/odbo352-07d8-11e6-b6d3-746f8e9cdd33>) given worries that financial services companies might relocate staff elsewhere in Europe after Brexit.

“There was a sense for many investors that it would be irresponsible to proceed regardless, without taking stock,” he said. “Things are happening so fast that people need some time out. They need to re-evaluate.”

Union Investment declined to comment on Cannon Place, but a spokesman said that it retained confidence in the UK, where it owns more than £1bn of real estate, as a “safe haven market”.

“The Brexit is the announced black swan. But when the dust has settled, we will see that the UK will not go away as a safe haven market ... in the end we still want to invest in the UK,” a spokesman said.

He added that the company would “recalibrate our strategy in the UK, staying cautious”. “We will not do speculative things for a while, but existing properties with a good leasing situation are possible,” he said.

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Britain’s vote to leave the EU has also raised questions about the planned sale by the Qatar Investment Authority (QIA) of One Cabot Square, an office building in Canary Wharf, which had been expected to raise about £450m.

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The QIA received two offers for the building, according to two people familiar with the situation, but neither had been accepted and the property was now expected to be withdrawn from the market.

Investment into UK real estate almost halved in the first six months of 2016 from a year earlier, according to Cushman & Wakefield, the property agents, as the referendum loomed.

Investors spent £7.5bn in the period, down from £13.3bn a year earlier, with institutional

funds in particular [drawing back](http://next.ft.com/content/fb2999cc-eead-11e5-9f20-c3a047354386) (<http://next.ft.com/content/fb2999cc-eead-11e5-9f20-c3a047354386>). (<http://next.ft.com/content/606fbb98-0e18-11e6-ad80-67655613c2d6>)

[Private wealth](http://next.ft.com/content/606fbb98-0e18-11e6-ad80-67655613c2d6) (<http://next.ft.com/content/606fbb98-0e18-11e6-ad80-67655613c2d6>) remained active, however, and some agents are hopeful that the market could be stimulated by the weakening of sterling against other currencies that has made UK property comparatively less expensive for overseas investors.

A consortium preparing to bid for the Grosvenor House hotel in London, which includes the UK family office 3 Associates and Saudi investors, is accelerating its offer to take advantage of the currency shift, a person involved in the talks said.

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