

L&S deal raises hopes of revival

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London & Stamford, an Aim-listed property investment company, is close to sealing its first deal since floating more than a year ago, raising hopes of a real estate market revival during 2009.

The company, formed by veteran investors Raymond Mould and Patrick Vaughan, has agreed to acquire 1 Fleet Place in the City of London from Legal & General for about £75m. L&G began marketing the building almost a year ago, with an asking price of more than £100m.

The sale represents a yield of about 7.75 per cent - a measure of the income from the property relative to the price - underlining how far prices have fallen since the peak in the summer of 2007 when City office buildings were typically sold at yields of less than 5 per cent.

The re-emergence in the market of the two seasoned investors has led to speculation that a bottom could soon be reached in the City market, in spite of the fact that prices continued to fall sharply in the last months of 2008 as transaction numbers dropped to record lows.

In the last quarter of 2008 turnover in the City investment market dropped to just £273m based on completed deals, according to property consultancy King Sturge, the lowest since its quarterly coverage began in 2000.

At a national level, about £3.6bn of deals completed in the last quarter, according to Property Data, the lowest since its records began in 2000. The last quarter is traditionally the busiest as deals are concluded before the end of the year.

Market turnover peaked in the final quarter of 2006, when almost £20bn changed hands in the last stages of the property boom, but sales have dried up as property prices fall and investors struggle to find debt.

London & Stamford is funding the acquisition with the £241m it raised on Aim and which has spent the past year on deposit. Low interest rates are hoped to lead to further activity this year by cash-rich investors focusing on long leases and secure income, rather than capital growth.

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