



2020 PORTFOLIO MARKET OVERVIEW

In stark contrast to overall investment volumes, which declined by 22% in 2020, **the commercial portfolio market proved to be extremely resilient** and a popular route to sale last year, **with volumes exceeding the long term average by over 13%**. Highlighted below are the key statistics and themes from 2020, and our thoughts on likely activity and themes for 2021. Reflecting our continued focus on specialist portfolio advice, **Savills are delighted to have acted on c. 60% of all commercial portfolio transactions by volume during 2020** and a small selection of those headline-making deals are highlighted below.

£10.53bn

of commercial real estate **portfolio transactions** concluded in 2020.

Portfolio volumes

13.8%

higher than the average long term annual volumes of £9.25bn.

79

portfolio transactions concluded during the year.

Average portfolio lot size of

£133m

52%

of total portfolio volumes were transacted in the **alternative sector**.

43%

of portfolios **by number of transactions** were in the **industrial sector**.

Only 15

portfolios were traded outside of the alternative and industrial sectors, those 15 totalling just £1.25bn by volume.

2020 KEY PORTFOLIO THEMES

- High transaction volumes, well above the long term average in spite of the obvious headwinds and barriers to portfolio activity.
- For the sixth successive year, the wide-ranging alternative sector constituted the dominant sector with over 50% of total portfolio volumes, albeit in 2020 this was skewed very heavily by a single transaction:- the £4.66bn iQ student accommodation portfolio.
- Exceptionally strong fundamentals continued to underpin the industrial sector and fuel significant investor demand throughout the risk curve, resulting in 34 industrial portfolio transactions.
- The number of retail and mixed sector portfolios traded remained at low levels, hindered by turbulence in occupational markets, limited debt availability and a marked disparity between vendor aspirations and purchaser pricing.
- The exception to the general rule on retail proved to be the supermarket sector, which witnessed £330m of transactions in 7 portfolio deals, underpinned by the strong performance of the grocery operators during lockdown periods.

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LIKELY THEMES FOR 2021

- A very significant weight of capital is earmarked for investment in UK real estate, particularly from private equity investors, and much of this will inevitably be targeting portfolio opportunities. This depth of demand will continue to underpin the resilience and reliability of portfolio disposals.
- The industrial sector will dominate portfolio volumes and deal numbers during H1, fuelled by strong pricing from the ever-increasing buyer pool.
- A muted H1 generally in volume terms, particularly across most of the alternative sectors as they continue to be impacted operationally by the latest lockdown.
- Portfolio volumes will pick up markedly in H2, particularly through sales to private equity investors, who need to acquire portfolios in their search for big-ticket transactions.
- There will be a marked increase in retail warehouse portfolio activity, reflecting stabilising occupational markets and increasing investor demand.
- A portfolio sale has always proved a highly effective route for disposing of secondary retail and leisure assets so, as pricing of these assets starts to look comparatively cheap, we expect the return of more mixed sector portfolios from Q4 2021 onwards.
- We envisage portfolio volumes in line with the long term average in 2021, with industrial continuing to dominate the traditional sectors and with increased retail portfolio activity led by the retail warehouse and supermarket sub-sectors.
- Optimising portfolio composition in order to appeal to the target investor pool will remain key to success.

SAVILLS 2020 PORTFOLIO ACTIVITY

Savills has long advocated that portfolio transactions require dedicated, specialist advice. We are delighted that our focus on this resulted in **Savills acting on £6.15bn of portfolio transactions** in 11 deals during 2020, **this representing c.60% of all commercial portfolio transactions by volume**. While these portfolio transactions covered all lot sizes and sectors, incorporating both prime and secondary assets, it is notable that according to Property Data **Savills acted on the largest transactions in all of the following sectors:- alternative, industrial, shopping centre and mixed sector**.



Alternative

iQ Student Portfolio
Client - Blackstone



Industrial

Hansteen Portfolio
Client - Hansteen



Shopping Centre

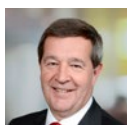
Project Rock
Client - RDI / Aviva



Mixed Sector

Victoria Portfolio
Client - Manchester Airport Group

To discuss anything related to portfolio transactions, either of an asset, corporate M+A or financing nature, please contact one of our Specialist Team:



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