

European billionaires spend big on London's 'second-tier' offices

European billionaires are snapping up central London's tired "second tier" office blocks, according to a new study today.

Occupiers' scramble for new office space that complies with modern environmental standards has sent prices of unwanted secondary or "brown" workspace stock tumbling.

However, they have proved attractive for cash-rich individuals or families looking for investments with high potential returns, says the research from agents Knight Frank.

They have bought £690 million of such buildings over the past 12 months, usually with plans to refurbish. Investors from Europe have led the activity, accounting for 48% of all transactions, followed by UK investors (14.4%).

Transactions include Lion Plaza in Old Broad Street, the headquarters of law firm White & Case, bought by a south-east Asian private investor for a reported £260 million.

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Pontegadea, the investment vehicle of Spanish Zara founder Amancio Ortega, snapped up a former BBC office building at 33 Foley Street in Fitzrovia for £82 million. This summer also saw the family behind Manolo Blahnik acquire Mayfair's 31 Old Burlington Street building for £35 million.

Nick Braybrook, head of London capital markets at Knight Frank, said ultra-high net worth investors often fund purchases without taking on debt, leaving them less affected by rising interest rates.

He said: "Acquisitions by ultra-high net worth investors reflect their ability to capitalise on reduced prices while also, in many cases, benefiting from a significant currency advantage against a weaker pound.

"Often, they can fund purchases without taking on debt, putting them in a strong position against institutional buyers, being nimbler in completing transactions."