

# City Investment Watch

savills

## Historically low deal volume points towards continued market pricing discovery

November saw a total transaction volume of £196.8 million across 5 deals reflecting an average lot size of £39.4 million. This is an increase in turnover, from a low base in October of £18m, and is primarily due to Savills concluded the sale of 12-14 New Fetter Lane. The year to date transaction volume at the end of November stands at £3.30 billion across 66 deals reflecting an average lot size of £50.0 million. When compared to the five-year average for the year to date, activity is approximately 52% lower in terms of transaction volume and 26% lower by number of deals. Savills is currently tracking a further 14 deals under offer, totalling c.£339.6m, and £2.07bn of stock available in the market across 67 deals.

In the largest deal of November, Savills advised Nuveen on the disposal of the long leasehold interest in 12-14 New Fetter Lane, EC4. The property is located in a core Midtown location with nearby stations at Chancery Lane and Farringdon and comprises 145,425 sq ft arranged over basement, ground and 12 upper floors. The property is single-let to international law firm Bird & Bird on a lease expiring in March 2036, providing a WAULTC of 12.3 years, and a passing rent of £7,798,245 per annum reflecting £57.05 per sq ft overall. The building benefits from excellent ESG credentials including an EPC B and BREEAM Excellent rating. The long leasehold interest (141 years at 6% gearing) was acquired by UBS.

The sale marks only the eighth deal in excess of £100 million during the year to date, compared to 17 in 2022 and an average of over 21 deals per year over the previous 5 years. During this period, transactions in this lot size range amounted to an average of £5.56 billion and accounted for c.70% of annual turnover in the City. The 425 bps rise in interest rates over the last 18 months period is the principal reason for a 52% decrease in this year's transaction volume.

Following the sale of 12-14 New Fetter Lane, Savills has advised on five of the eight transactions in excess of £100 million, amounting to a total of £1.28 billion and reflecting a 63% market share within this lot size range. In the year to date, Savills has now advised on a total of 15 deals amounting

to £1.67 billion, reflecting a 51% market share by volume. In the second largest transaction during November, HubCap acquired the freehold interest in 150 Minorities, EC3, from BE Offices for £38 million, reflecting £640 per sq ft. The property comprises 59,342 sq ft arranged over lower ground, ground and eight upper floors. The property was sold with a short-term leaseback to BE Offices and is another example of a buyer acquiring an office building for alternate use class redevelopment. It is also HubCap's second acquisition in the City market this year, and follows their purchase of 45 Beech Street in May for a sum of £35 million.

Another notable investment deal which occurred was Soho Wharf, 1 Clink Street, SE1, which comprises a 22,625 sq ft freehold asset which is multi-let to ten office, two retail, and three residential tenants at a passing rent of £1,154,969 reflecting £51.05 per sq ft and providing a WAULTC of approximately 4.5 years to earliest determinations. In their second disposal of November, Nuveen sold their freehold interest to Habro for a sum of £16.5 million reflecting a 6.56% net initial yield and £729 per sq ft.

In terms of the macroeconomic conditions, the Bank of England's Monetary Policy Committee voted to maintain the base rate at 5.25% for a second consecutive vote. The base rate has now stabilised at 5.25% since August 3rd, and has seen only a 25 bps increase since June, compared with a 150 bps rise in H1 2023 and 300 bps during 2022. With the last reported Consumer Price Index inflation rate dropping to 4.6% in October, we have seen a reduction in the 5 years SONIA swap rates which is helpful in facilitating market activity.

Savills City prime yield is 5.25%, whilst the West End prime yield is 4%. The MSCI City average equivalent yield stands at 7.89%, whilst the net initial yield is 4.73%.



**£3.30bn**  
year-to-date turnover  
across **66** transactions



**£1.67bn**  
year-to-date turnover  
completed by Savills



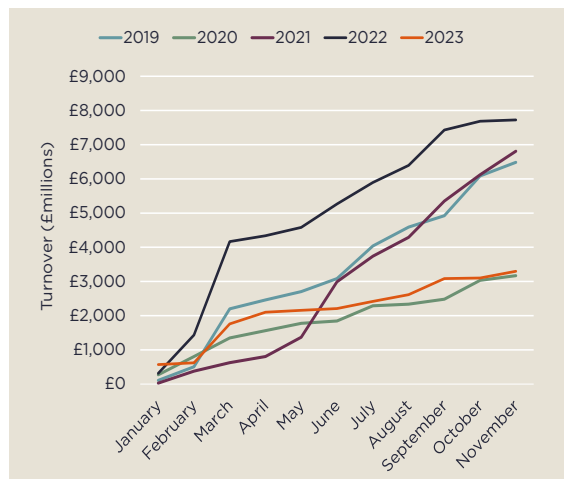
Savills advised on **51%**  
of transactions by  
volume



APAC investors account  
for **56%** of 2023  
year-to-date turnover

### City year-to-date investment turnover

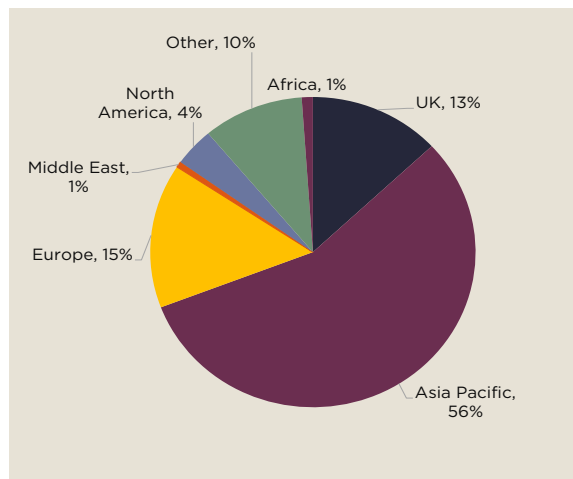
Graph 1



Source: Savills

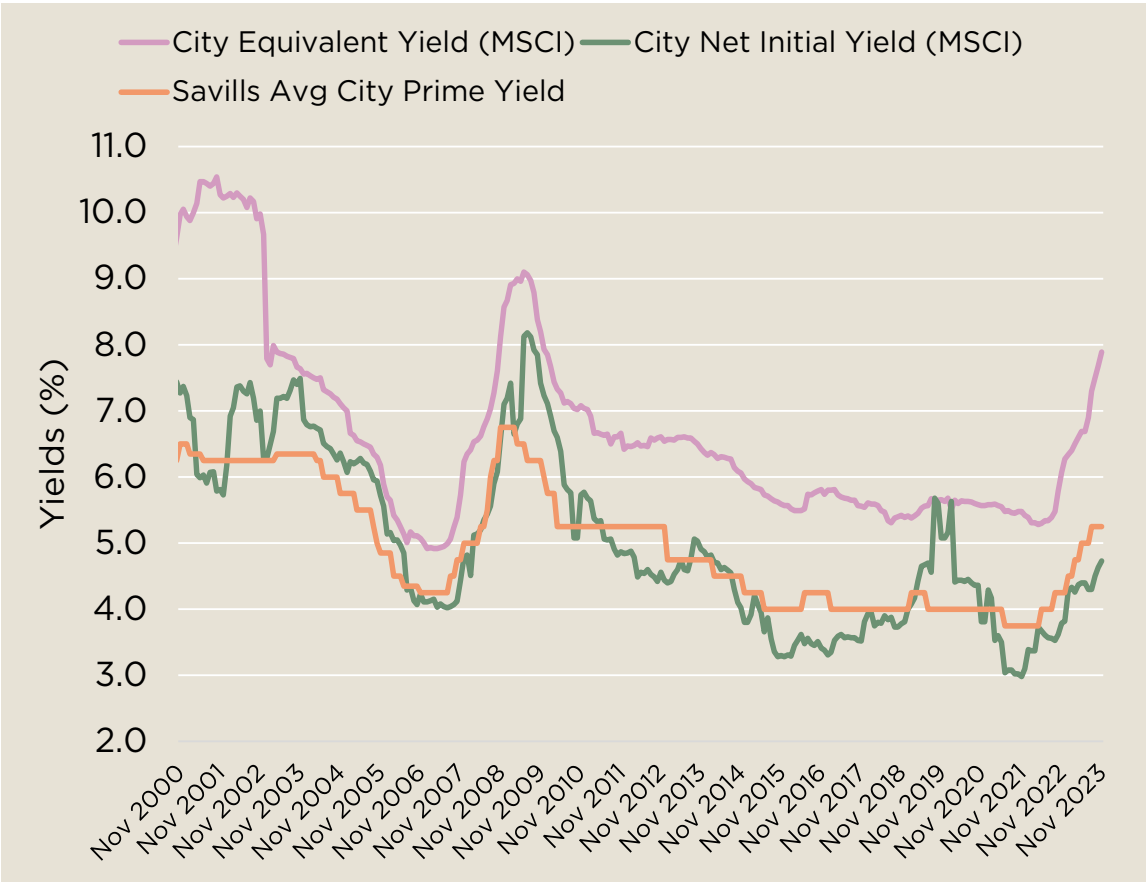
### Turnover by nationality

Graph 2



City Yields

Graph 3



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