

City Investment Watch



Data points show signs of green shoots

August saw 7 transactions totalling £202.66M reflecting an average lot size of £28.95M with total investment volume for the year to date standing at £2.62Bn across 45 deals, a 57% decrease on this time last year by investment volume and 45% decrease by number of deals. Savills is currently tracking 12 deals which are under offer totalling c.£276.0M and a further £2.38Bn of available stock in the market.

With the rising cost of finance, activity has been focused on the smaller lot sizes with 52% of the total number of deals transacting in 2023 sub £20M and 70% of total transaction activity by number of deals sub £50M. Furthermore, 67% of the total investment activity took place in Q1, 2023, having been agreed in Q4, 2022; highlighting the disparity between sellers and buyers pricing expectations as the year has progressed. However, as we write we see green shoots of activity which give hope for a cautious optimism with valuable data points for us to hang our hats on - before this month the City Investment market had not seen a deal in excess of £40M exchange since April.

In the largest deal in August, Blackrock disposed of the freehold interest in Watling House, EC4. Located close to Bank station, the property comprises a net internal area of 94,489 sq ft arranged over basement, ground and 6 upper floors, with three retail units. The property is multi-let to five office tenants and two retail tenants at a total topped up passing rent of £4,617,019 per annum, reflecting £48.86 per sq ft overall and provides a WAULT of 4.3 years to expiries and 2.7 years to breaks. Goldstone acquired the property for £67.0M, 6.45% NIY & £709 per sq ft.

In an off market deal during August, a private Spanish investor acquired the freehold interest in 8 Bleeding Heart Yard, following a comprehensive refurbishment by Seaforth Land and QuadReal. The property provides c.29,000 sq ft NIA of best in class office accommodation and is majority pre-let to Julius Baer on a 15 year lease subject to a tenant only break at the 10th anniversary. The passing rent is

approximately £2.11M per annum which reflects a rent of £75.00 per sq ft overall. The private Spanish investor acquired the building for c.£45.5M, 4.35% NIY & £1,568 psf.

In August, Fidelity acquired the long leasehold interest in 99 Queen Victoria Street, EC4, from WeWork / ARK Advisors. Located within close proximity to St Paul's Cathedral, the property comprises 88,518 sq ft NIA of high-quality office and ancillary accommodation. The property was being sold with full vacant possession with a partial strip out undertaken after WeWork surrendered their lease. The long leasehold is held from The Salvation Army International Trustee Company for a term expiring on 30 May 2152 (129 years unexpired) subject to a head rent of 5.0% of the aggregate net rents received. Having originally quoted £70.0M / £791 per sq ft, the property exchanged at c.£48.0M / £542 per sq ft overall, representing a 31% discount to the quoting price.

In another WeWork related deal, 17 St Helen's Place, EC3 sold off market this month. Located on the east side of Bishopsgate in proximity to Liverpool Street station, the property comprises 23,986 sq ft of office accommodation let in its entirety to WeWork until October 2034 (11.2 years UXT). After the deduction of the head rent, the property generates a net passing rent of £1.26M, reflecting an overall rent of £58.37 per sq ft. The long leasehold interest is held from the Leathersellers for a further 127 years subject to a head rent of 10% and was acquired by a private European investor for c.£19.0M, 6.51% NIY & £792 per sq ft overall.

Savills City prime yield is 5.25% whilst the West End prime yield is 4.00%. The MSCI City average equivalent yield stands at 7.3% whilst the net initial yield is 4.31%.



£2.62bn
year-to-date turnover
across **45** transactions



£276m under offer
across **12** assets



APAC investors account
for **66%** of year-to-date
investment
turnover

Year to date turnover (Jan to Aug)

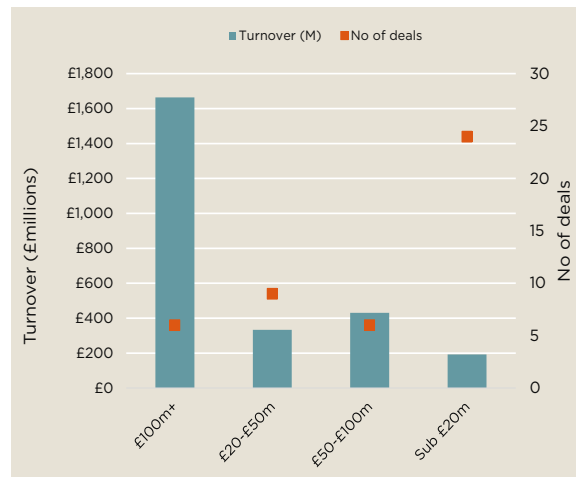
Graph 1



Source: Savills

City investment turnover by lot size

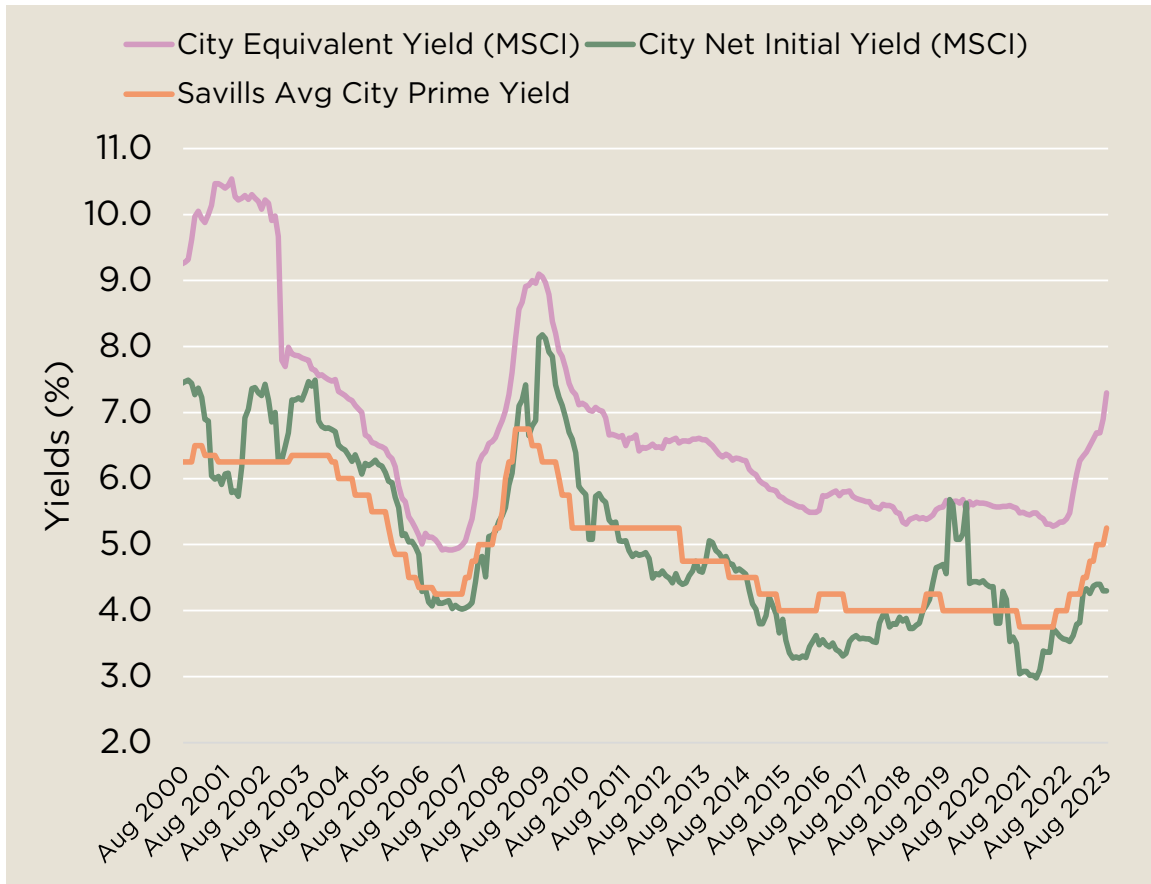
Graph 2



£2.38bn available
across **69** assets

City Yields

Graph 3



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