

# City Investment Watch



## Values fall across the City market as sellers adjust their pricing expectations

City investment volume for Q1 2023 reached £1.641Bn across 24 deals, reflecting an average lot size of £68.38m which is 17% and 18% lower than the 5-year and 10-year average respectively. During a solid quarter of investment activity we saw 4 deals in excess of £100m which represented 70% of the total Q1 transaction volume. We continue to see values fall across the market as sellers adjust their pricing expectations, however even with falling values there generally continues to be disparity between sellers and buyers pricing expectations. March was the busiest month of the quarter as 12 deals transacted totalling £1.016Bn, reflecting an average lot size of £84.68m. Despite transaction volumes suggesting a seemingly positive start to the year, it is worth noting that all of the deals that have reached exchange of contracts in Q1 2023 were under offer by year end 2022, highlighting that there have been no deals transacted that were agreed this calendar year.

At the end of Q1 2023, there are just 8 deals under offer reflecting a total investment volume of £718.15m, of which 85% of this volume is in just 2 deals. The number and volume of deals under offer highlights the continued stand-off between vendor and buyer pricing expectations. As it stands, there are 79 deals available totalling £3.267Bn, reflecting an average lot size of £41.36m. In 2023 alone, just 21 deals totalling £460.44m are currently being openly marketed, reflecting a low average lot size of £21.93m. This highlights a hesitancy from owners to openly dispose of assets as we continue in this period of price discovery.

In the most significant transaction of the quarter, Savills advised Castleforge and Gamuda Group in their acquisition of the freehold interest in Winchester House, Deutsche Bank's current London HQ. Located within 200 metres of Liverpool Street station, the property currently provides c.320,000 sq ft and is set to be redeveloped to best-in-class office accommodation, delivered to the highest environmental credentials, with a project development value in excess of £1 billion upon completion in 2027.

In the largest deal of the quarter, City Developments Limited acquired the freehold interest in the 23-acre St Katharine Docks Estate from Blackstone for £395.0m, 7.29% NIY & £752 per sq ft. Located on the eastern side of the City of London close to Tower Hill and London Fenchurch Street stations, the riverside and marina estate comprises 525,449 sq ft of accommodation arranged over four principal office buildings, International House, Commodity Quay, Devon House and Ivory House, providing 451,135 sq ft of office and 74,314 sq ft of retail and ancillary accommodation including a 185 berth fully serviced marina. The Estate generates a total passing rent of £29.3m per annum, reflecting £55.69 per sq ft overall, with six key tenants accounting for 61% of the contracted income and a WAULT of 9.5 years to expiries and 8.5 years to breaks.

In another sizeable transaction in the quarter, Obayashi Corporation acquired the freehold interest in 60 Gracechurch Street, EC3 from KGAL for a price in the region of £140.0m, 4.74% NIY & £1,109 psf. Located 300m from the Bank of England on the eastern side of Gracechurch Street, the property comprises 127,299 sq ft of office and retail accommodation arranged over basement, lower ground, ground and eight upper floors. The office accommodation is single let to Allianz Global Corporate & Specialty expiring in January 2026 whilst the retail unit is let to Boots for a term expiring January 2026 at a passing rent of £450,000 per annum. The total passing rent is £6.7M per annum, reflecting a passing rent of £53.11 per sq ft.

The City prime yield stands at 4.50% in March, however we anticipate outwards pressure to 4.75% in the April Investment Watch. The West End prime yield is 4.00%. The MSCI City average equivalent yield is currently 6.40%, while the net initial yield is 4.33%.



**£1.64Bn**  
year-to-date 2023  
turnover across **24**  
transactions



**£3.27Bn** available  
across **79** assets



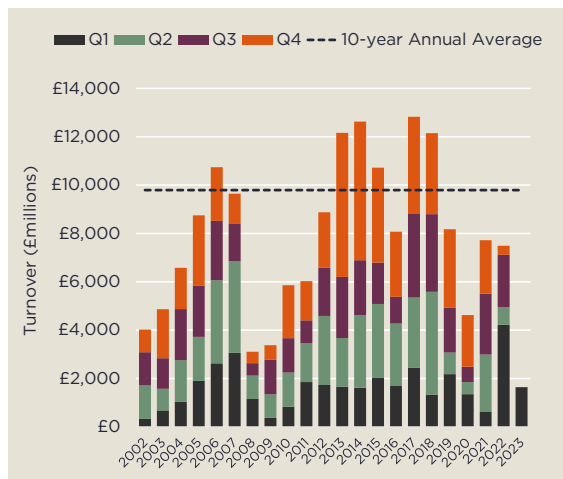
**4** deals represent **70%**  
of Q1 2023 investment  
turnover



**£718.15m** under offer  
across **8** transactions

### Quarterly City investment turnover

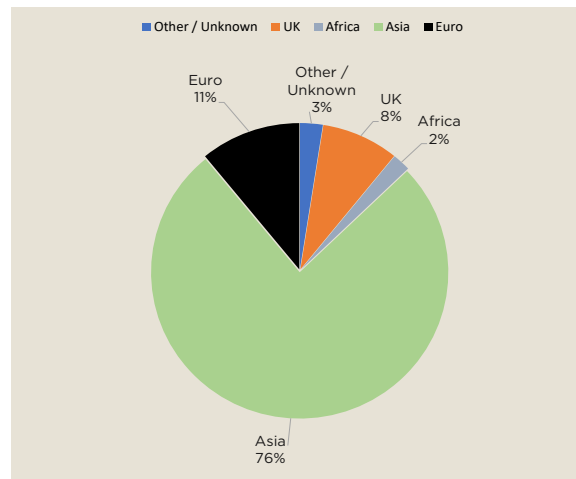
Graph 1



Source: Savills

### City investment by purchaser nationality

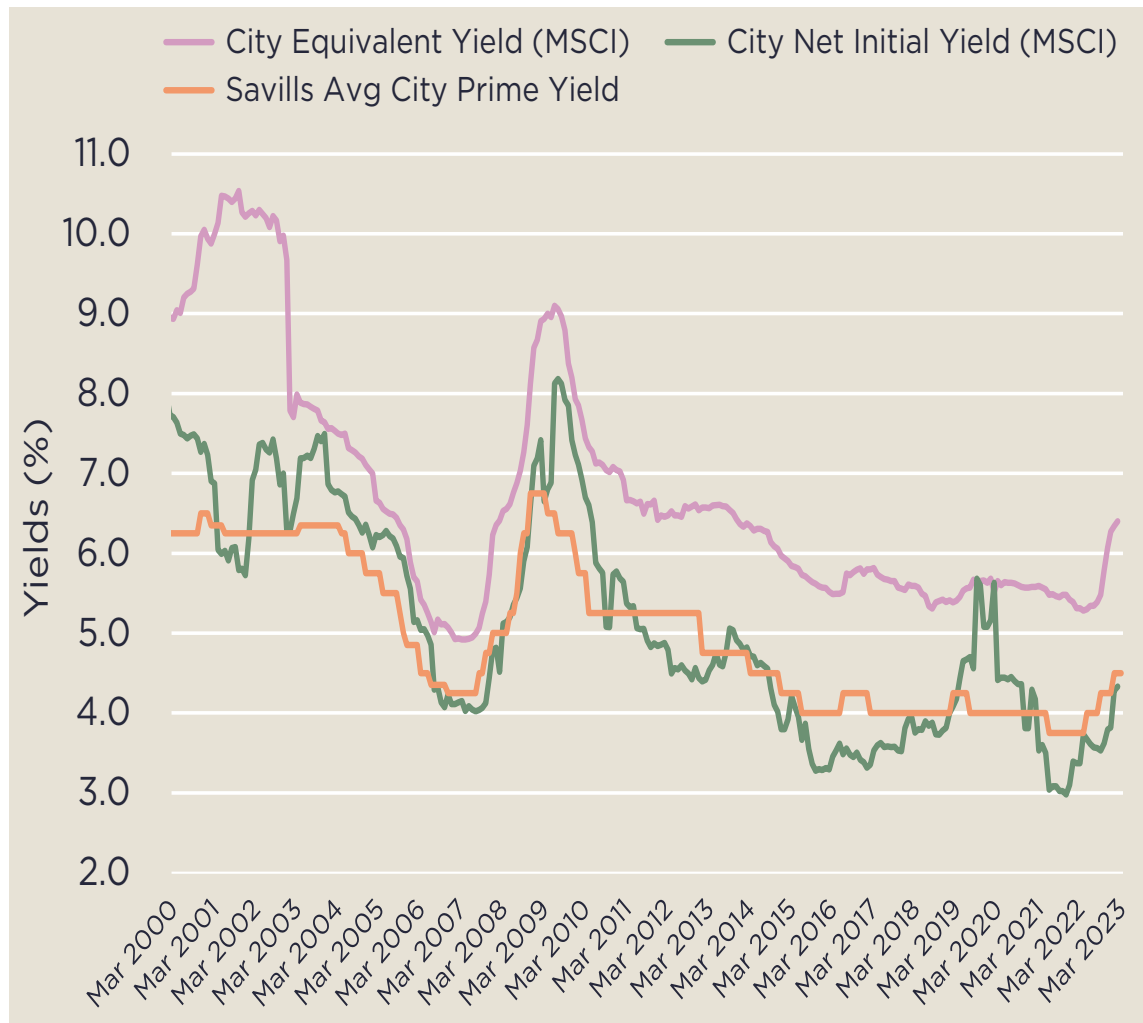
Graph 2



Source: Savills

## City Yields

Graph 3



## Savills contacts

Please contact us for further information

### Stephen Hartley

Director  
City Investment  
020 7409 8955  
shartley@savills.com

### Hannah Heslop

Associate  
City Investment  
020 7824 9067  
hannah.heslop@savills.com

### Will Wilson

Associate  
Research  
020 7409 8791  
will.wilson@savills.com

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