

City Investment Watch



City sees lowest quarterly turnover since 1996 as buyers await new opportunities

March witnessed a small increase to the slow start seen in January and February, with £187.6m transacting across nine deals, reflecting an average lot size of £20.84m, further demonstrating the current lack of liquidity for larger lot size assets. This brings the Q1 2024 total to £307.6m across 19 deals for the quarter, which is the lowest quarterly transaction volume on record since Q4 1996, and reflects a nadir for a market which has seen 18 months of decreased activity including three quarters with sub-£500m of turnover. This century has seen only six quarters where less than £500m has traded, once in 2002, twice during the GFC, and three times during the current market environment. As at the end of March, Savills is tracking £511m under offer across 13 deals in the city.

In the largest deal of the month, and also the year to date, the freehold interest in 65 Fleet Street, EC4, was acquired by Dominus from JM Global for a sum of £80m. The property, which is located approximately 5 minutes' walk from Blackfriars station, comprises two vacant possession buildings with a consented retention and extension scheme to create a further 36,190 sq ft, bringing the total area to 248,000 sq ft NIA or c.350,000 sq ft GIA. The £80m lot size reflects a capital value of £323 per sq ft and is another example of the City market seeing strong demand for change of use opportunities. Dominus' purchase is their second within 12 months, and follows their acquisition of 5-10 Great Tower Street, EC3 in June 2023.

In the largest income deal this year, Ares acquired the long leasehold interest (148 years at 10% gearing) in 25 Charterhouse Square, EC1. Located approximately 1 minute from the Lindsey Street entrance to Farringdon station, the property was comprehensively refurbished in 2017 by Helical to comprise 43,869 sq ft. The property is multi-let to four tenants with one vacant floor, providing a topped up gross rent of £3,453,654 per sq ft reflecting £78.73 per sq ft and a WAULT of 4.9 years to lease expiries and 3.5 years to breaks. Ares acquired the long leasehold from Helical for a sum of £43.5m reflecting a 6.69% net initial yield and £992 per sq ft.

Another value add deal to have exchanged was 2 Hosier Lane, EC1. The property is held freehold and comprises 41,713 sq ft of office accommodation which is single-let to Travers Smith at a passing rent of £1,906,248 per annum until November 2025. With Travers Smith due to relocate to Ivanhoe Cambridge's Stonecutter Court development, there is potential to reposition the asset, which benefits from a strong location, approximately 500 metres to the south-east of Farringdon station. The freehold interest was sold by Park Capital to Northstar for a sum of £22m reflecting £527 per sq ft.

Savills acted for Mazabi Gestion on the acquisition of 15 Basinghall Street, EC2, buying the freehold interest from Abrdn for a sum of £9.8m reflecting an 8.08% net initial yield and a low capital value of £543 per sq. ft. The property is located in a core City location between Bank and Moorgate, and comprises 18,027 sq ft. The property is multi-let to five office and two retail tenants at a passing rent of £845,259 per annum reflecting £48.40 per sq ft and provides a WAULT of 2.7 years to expiries and 2.1 years to breaks.

In terms of ongoing trends, the challenge of elevated interest rates looks set to continue, with eight of the nine Members of the Bank of England Monetary Policy Committee voting to maintain the base rate at 5.25% on March 20th. The ongoing lack of available stock which frustrated buyers through 2023, and saw only £2.05Bn launched to market (compared to £9.0Bn in 2022), continued in January and February this year with only £172m across 8 deals. However, March saw a more positive flow of fresh stock with £478.5m launched to market across 10 new deals, a number as a result of some lenders beginning to apply more pressure to leveraged owners. These processes should provide an interesting reflection of buyer and seller expectations and a number of key data points in a market which has seen limited transaction activity.

Savills City prime yield is 5.25%, whilst the West End prime yield is 4.00%. The MSCI City average equivalent yield stands at 8.13%, whilst the net initial yield is 5.01%.



£307.6m
2024 turnover across **19**
transactions



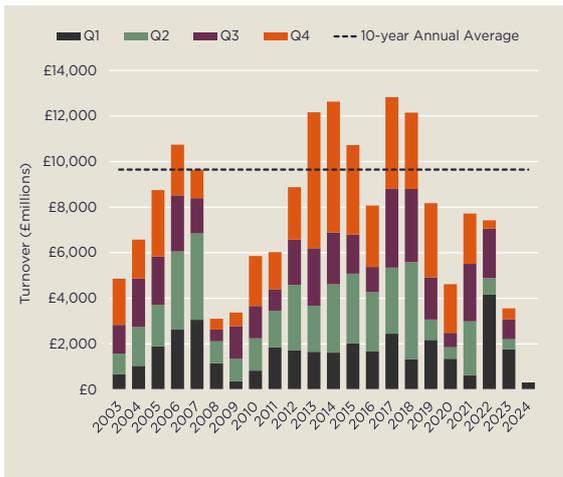
Savills Prime City yield remains at **5.25%** for the **8th** consecutive month



£2.11bn available across **70** assets

City quarterly investment turnover

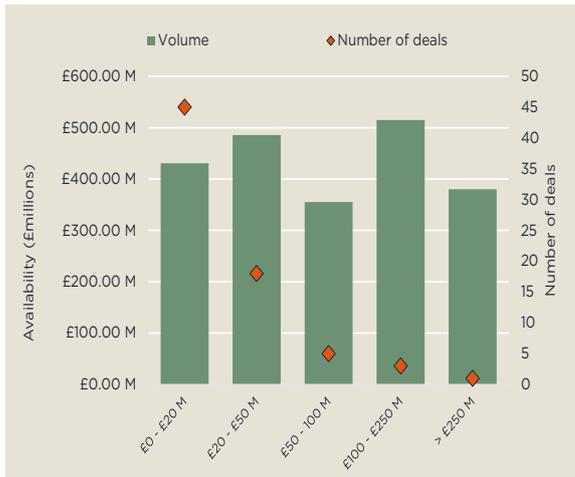
Graph 1



Source: Savills

City availability by price band

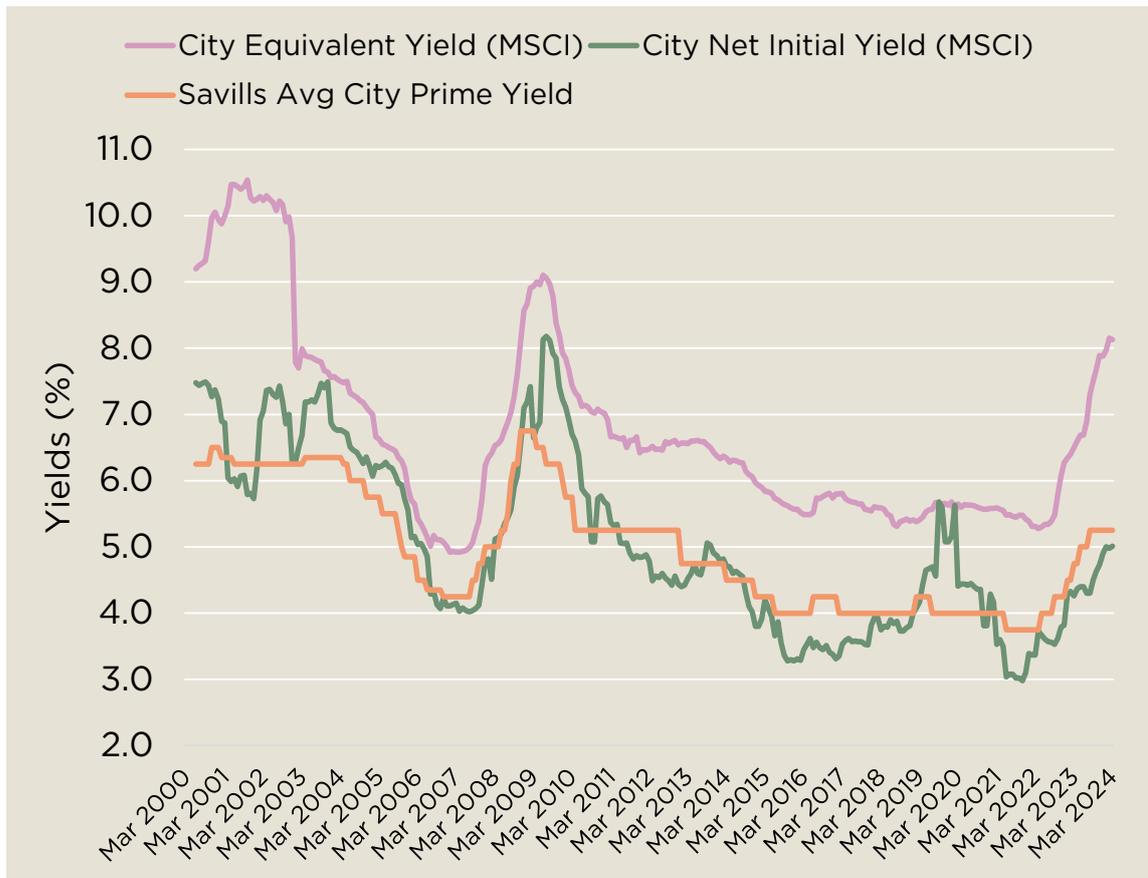
Graph 2



£511m under offer across **13** transactions

City Yields

Graph 3



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