

# City Investment Watch



## November sees third consecutive £100m+ deal in three months

November saw a healthy flow of transaction activity with £258.1m of turnover across 9 deals reflecting an average lot size of £28.7m. The month also saw another deal in excess of £100m for the third consecutive month, continuing the gradual momentum gathering in the larger lot size range. The year-to-date (YTD) turnover volume at the end of November stood at £2.04bn across 75 deals, reflecting an average lot size of £27.2m, which is a 63% fall in turnover volume and a 4% decrease by number of deals when compared to the five-year average. Despite the relatively healthy number of transactions, it is interesting to note that the three £100m+ deals seen in the last three months account for 25% of all year-to-date turnover. At the end of November, Savills is currently tracking a further £814m under offer across 23 deals due to a number of live processes having called for bids during November.

In the largest deal in November, Helical sold their 50% share in the JJ Mack Building, 33 Charterhouse Street, EC1, to joint venture partner Ashby Capital for £139.2m. The property is held long leasehold for a further 146 years unexpired at a head rent of 6.36% and is located in a prime location adjacent to Farringdon station. The building is a brand new, best-in-class office building which reached practical completion in Q4 2022 and benefits from ESG credentials including an EPC A and BREEAM Outstanding. JJ Mack is multi-let to six tenants, with one vacant floor remaining, at a blended rent of £95.23 per sq ft on the let accommodation and provides a WAULT of 12.7 years to expiries and 11.2 years to breaks, with a top rent of £115.00 per sq ft setting a record rental tone for the Farringdon submarket.

In another of the largest deals in November, British Land sold the long leasehold interest in 164 Bishopsgate, EC2, to Iroko Zen. Located in a prime location directly opposite Liverpool Street station, the property comprises a 49,312 sq ft office and retail building with the retail element comprising c.70% of the total lettable area. The office floors are multi-let to four tenants and in the larger of the two retail units, Tesco

Stores Limited accounts for c.53% of the total contracted income via a lease expiring in September 2033. The long leasehold interest has an unexpired term of 145 years remaining with 10.5% gearing, and was acquired by Iroko Zen for £25m reflecting a net initial yield of 7.10% and £507 per sq ft. The acquisition is Iroko Zen's second acquisition of the year, following their purchase of 90-98 Union Street in June.

In another deal within the topical hotel conversion sub-market, the freehold interest in St Clement's House, 27 Clements Lane, EC4 was sold by AEW to UK hotel owner operator JMK for a sum of £22.75m reflecting £523 per sq ft. Located on the eastern side of Clements Lane in close proximity to Bank station, the property comprises a 43,492 sq ft office building with short term income to serviced office provider Beaumont and is being targeted for change of use on expiry of the existing management agreement and subject to planning permission. The deal represents another example of the year's trend of hotel buyers targeting older office buildings for change of use, and follows recent comparable sales in the vicinity such as 68 Lombard Street and 1 Princes Street, which traded at capital values of £500 per sq ft and £433 per sq ft respectively.

In terms of the macroeconomic climate, the Monetary Policy Committee (MPC) meeting in November saw the Bank of England committee vote to reduce the base rate by 0.25%, to 4.75%. With rates having peaked at 5.25% in August 2023 and plateaued for a 12 month period thereafter, the base rate has now seen a 0.50% reduction since August. In the City market, a number of live sales have gone to bids processes during November, and Savills is now tracking an increased volume of under offer stock of £814m across 23 deals.

Savills City prime yield is 5.25%, while the West End prime yield is 4.00%.



**£2.04bn**

Jan-Nov turnover across **75** transactions



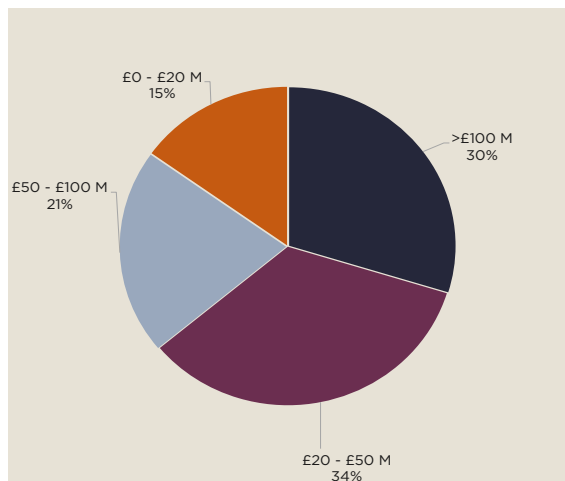
Savills Prime City yield remains at **5.25%** for the **16th** consecutive month



**£27.2m** is the average lot size so far this year, down from £47.3m last year

### City year-to-date investment volume by lot size

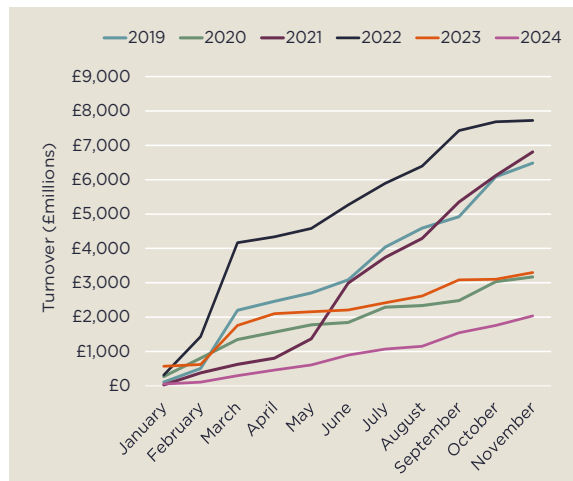
Graph 1



Source: Savills

### Jan-Nov City investment turnover

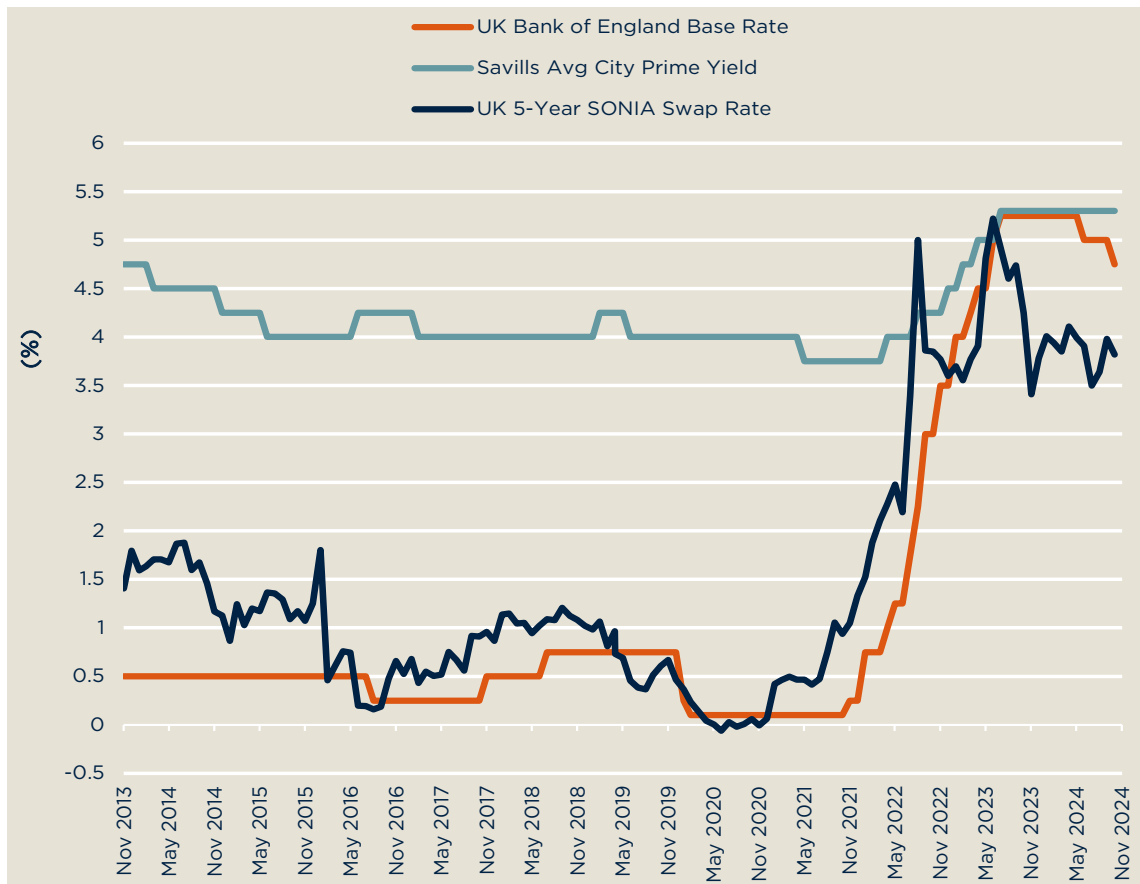
Graph 2



**£814m** under offer across **23** transactions

## City Yields

Graph 3



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