

# City Investment Watch



## January sees a quiet start to the year as buyers await fresh stock

January has historically proven to be a quiet month, with investors typically pausing after the end of the year to await the arrival of new stock to the market. January 2024 registered just £56m of transactions in the City across 4 deals, reflecting an average lot size of £14m. The start of the year is a reminder that a new year does not necessarily bring immediate change, particularly when macroeconomic conditions remain challenging, and when the market suffers from a distinct lack of available opportunities. Savills is currently tracking a further 22 deals under offer, totalling c.£832m, and £1.44bn of stock available in the market across 61 deals. With the exception of January 2021, which was set against the backdrop of peak-Covid disruption, this month reflects the lowest January turnover volume for more than a decade.

In the largest deal of the month, a private investor acquired the freehold interest in 52 Bedford Row, WC1 for a sum of £30 million reflecting a capital value of £1,038 per sq ft. The property comprises 28,892 sq ft arranged over lower ground, ground and five upper floors, and was sold with full vacant possession following the departure of WeWork who had previously occupied the building for their serviced office operation since 2019.

The second largest deal in January saw the sale of the Trinity Portfolio, which comprises two separate office and residential buildings totalling 30,513 sq ft. The two buildings, 4-7 Crawford Passage and 20 Bakers Row, EC1, are located adjacent to one another approximately 0.4 miles to the north-west of Farringdon station and were both sold with full vacant possession. Grainger sold the freehold interest to a private Swedish developer for a sum of £20m reflecting a capital value of £65 per sq ft. The portfolio was originally marketed with a third office building, 15-19 Bakers Row, which was omitted from the transaction and will be marketed as a separate individual sale.

The seasonally slow start to 2024 follows on from the relatively muted 2023 market which saw a 55% fall in annual turnover, principally as a result of the significant rise in interest rates, and the Bank of England base rate increasing through the latter half of 2022 and continuing during last year before peaking at 5.25% in August 2023. With CPI inflation remaining at around 4.2%, unsurprisingly, The Bank of England Monetary Policy Committee voted on January 31st to maintain the base rate at its current level, although it is interesting to note that one of the nine committee members voted to reduce the rate by 25 bps for the first time since the upward trend began. The next committee will take place on the 21st March. The effects of the increased debt costs have been felt most acutely within the £100m+ lot size range, which typically accounts for c.70% of annual turnover in the City market. However, with two £100m+ assets under offer at the end of January, there is evidence of existing buyer appetite for larger lot sizes where seller expectations are at a discount to historic market pricing.

The other enduring challenge in the market is the notable lack of available stock for buyers to choose from. With only £2.05 billion coming to market during the whole of 2023, January 2024 saw a similarly constrained release of new opportunities with only £135m of new stock being launched to the market across 6 deals, reflecting an average lot size of £22.5m. Despite a healthy £832m currently being under offer across 22 deals, the City investment market is unlikely to see a dramatic uptick in activity until a greater supply of new stock is forthcoming.

Savills City prime yield is 5.25%, whilst the West End prime yield is 4.00%. The MSCI City average equivalent yield stands at 7.97%, whilst the net initial yield is 5.00%



**£56m**

January 2024 turnover across **4** transactions



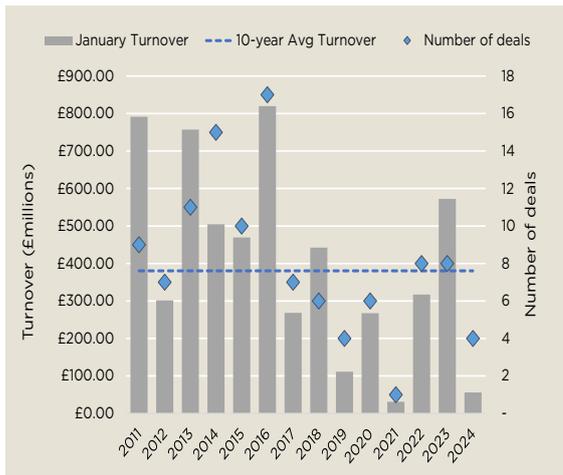
Savills Prime City yield remains at **5.25%** for the **6th** consecutive month



**£1.44bn** available across **61** assets

### City January investment turnover

Graph 1



Source: Savills

### January under-offers and availability

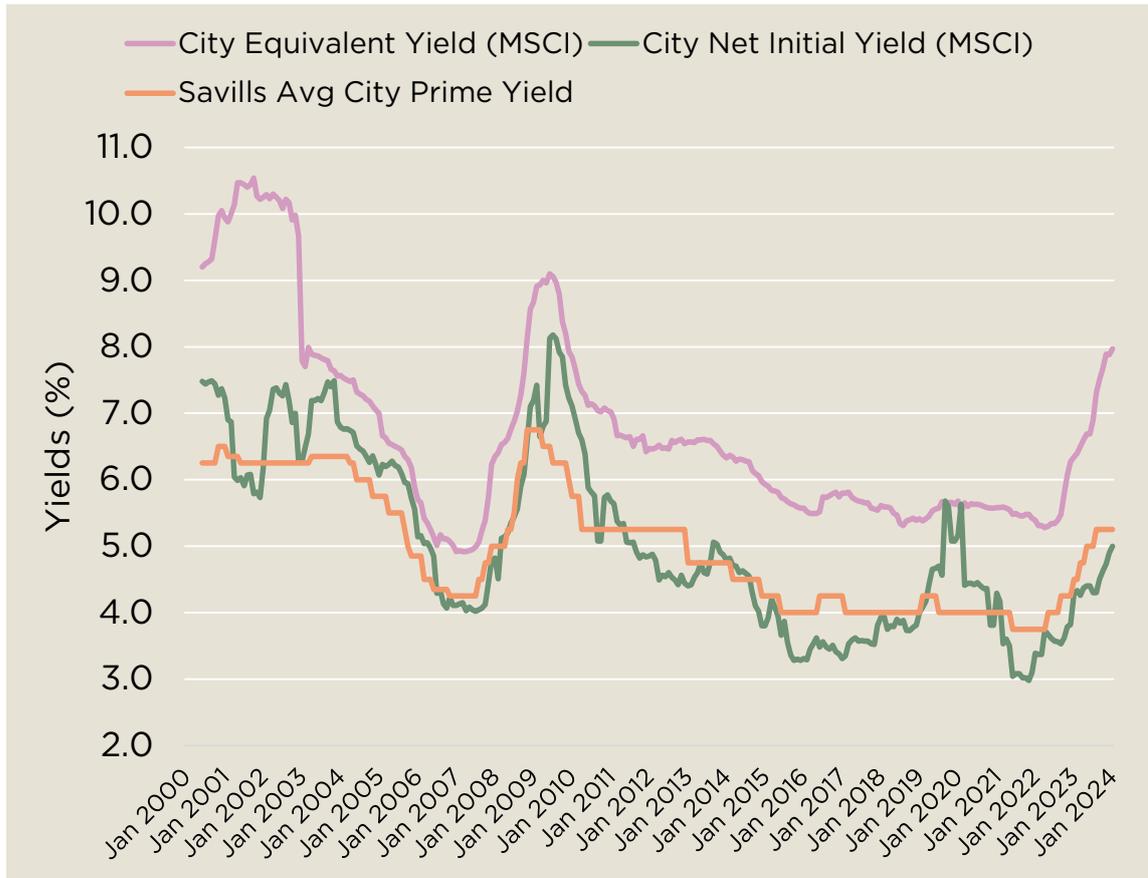
Graph 2



**£832m** under offer across **22** transactions

## City Yields

Graph 3



## Savills contacts

Please contact us for further information

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### Stephen Hartley

Director  
City Investment  
020 7409 8955  
shartley@savills.com

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### Billy Robinson

Associate  
City Investment  
020 7824 9067  
billy.robinson@savills.com

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### Ed Robinson

Analyst  
Research  
020 7299 3043  
ed.robinson@savills.com

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