

City Investment Watch



January sees highest monthly turnover for more than a year and signs of life for the larger lot size range

January ushered in a positive start to 2025, with £440.1m of turnover across five deals, reflecting an average lot size of £88.0m and the highest monthly turnover seen in the City market since December 2023. The month's turnover volume surpasses the combined total for the whole of Q1 2024, and also included two deals in excess of £100m, following a challenging 2024 which saw only 4 deals in this lot size range throughout the entire year. With January historically proving to be one of the quietest months of the year, this month's high volume even surpasses historic trends and exceeds the month's 10-year average of £338m by approximately 30%. In a market where c.70% of annual turnover is typically driven by deals in excess of £100m, the early signs of increased investor activity for larger lot sizes, coupled with a fall in the cost of funds, potentially indicate a more positive outlook for transaction activity in the year to come. At the end of January, Savills is currently tracking a further £1.27bn under offer across 29 deals and c.£1.28bn of available stock.

In the largest deal of the month, and also the largest deal since September 2023, Broadgate REIT (owned in a joint venture by British Land and GIC) sold a 50% stake in 2-3 Finsbury Avenue, EC2, to Abu Dhabi based investor, Modon. The newly formed joint venture partnership will continue to deliver 2-3 Finsbury Avenue, a 750,000 sq ft best-in-class development located approximately 250 metres to the north-west of Liverpool Street station. 2-3 Finsbury Avenue is scheduled to reach practical completion in 2027 and has already achieved a substantial 250,000 sq ft pre-let to hedge fund, Citadel, on a 15 year lease at a blended rent of £98.00 per sq ft. We understand that Modon's initial investment into the joint venture was in the region of £200m.

In another major transaction, Alfred Equities sold the freehold interest in 1 Portsoken Street, E1, to a private Japanese client of Sumitomo Mitsui Banking Corporation. The property is situated on a freehold island site in the south-eastern corner of the City, in close proximity to the Tower of London and within 5 minutes' walking distance

of Aldgate and Tower Hill stations, and comprises 238,874 sq ft of Grade A educational space arranged over basement, ground, mezzanine and nine upper floors. The property was refurbished in 2021 and benefits from 8,786 sq ft of terraces and ESG credentials including BREEM 'Very Good' and an EPC B. The property is let to two educational tenants, Northeastern University London and BPP Holdings Limited at a rent of £11,736,758 reflecting £50.18 per sq ft overall, and provides a WAULT of 12.6 years to expiries and 8.5 years to breaks. The freehold interest was sold for £160m reflecting a net initial yield of 6.87% and a capital value of £670 per sq ft.

In another major deal, Savills advised HIG on the sale of the freehold interest of Morley House, 26-30 Holborn Viaduct, EC1. Following strong demand throughout 2024 from value-add investors seeking opportunities to convert offices to alternative use classes, the sale of Morley House evidenced the sustained depth of demand. Located on the south side of Holborn Viaduct, within 10 minutes' walking distance of stations including Farringdon, St Paul's and Chancery Lane, Morley House presented a freehold site with full vacant possession and a planning consent for a 274-key hotel development with massing potential for 142,790 sq ft GIA across basement, ground and 11 upper floors. The freehold interest was acquired by Altius Real Estate for £60m reflecting £420 per sq ft based on the consented GIA.

Following a chronic lack of available stock throughout 2024, January did not unlock vendor reluctance to launch new properties to market, with just £151.5m of fresh stock across 8 deals. However, with a positive start to the year and further interest rate cuts being widely anticipated over the coming months, there is much for ambivalent sellers -and buyers- to consider, particularly in the larger lot size range where signs of momentum are beginning to emerge.

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



£440m

Jan turnover across **5** transactions



Savills Prime City yield remains at **5.25%** for the **18th** consecutive month



January investment volume is up **31%** on the long-term average

January under-offers and availability

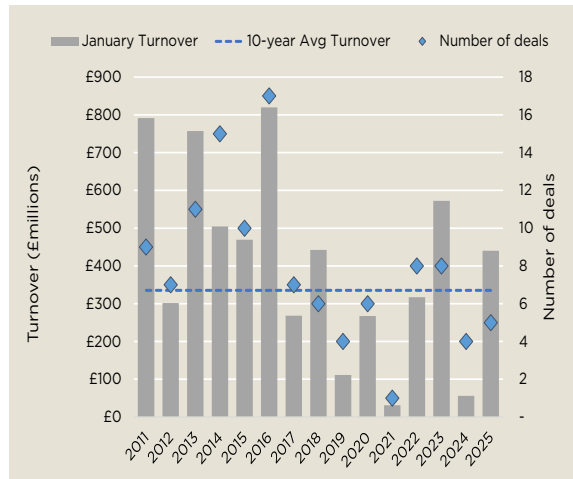
Graph 1



Source: Savills

January City investment turnover 2011-2025

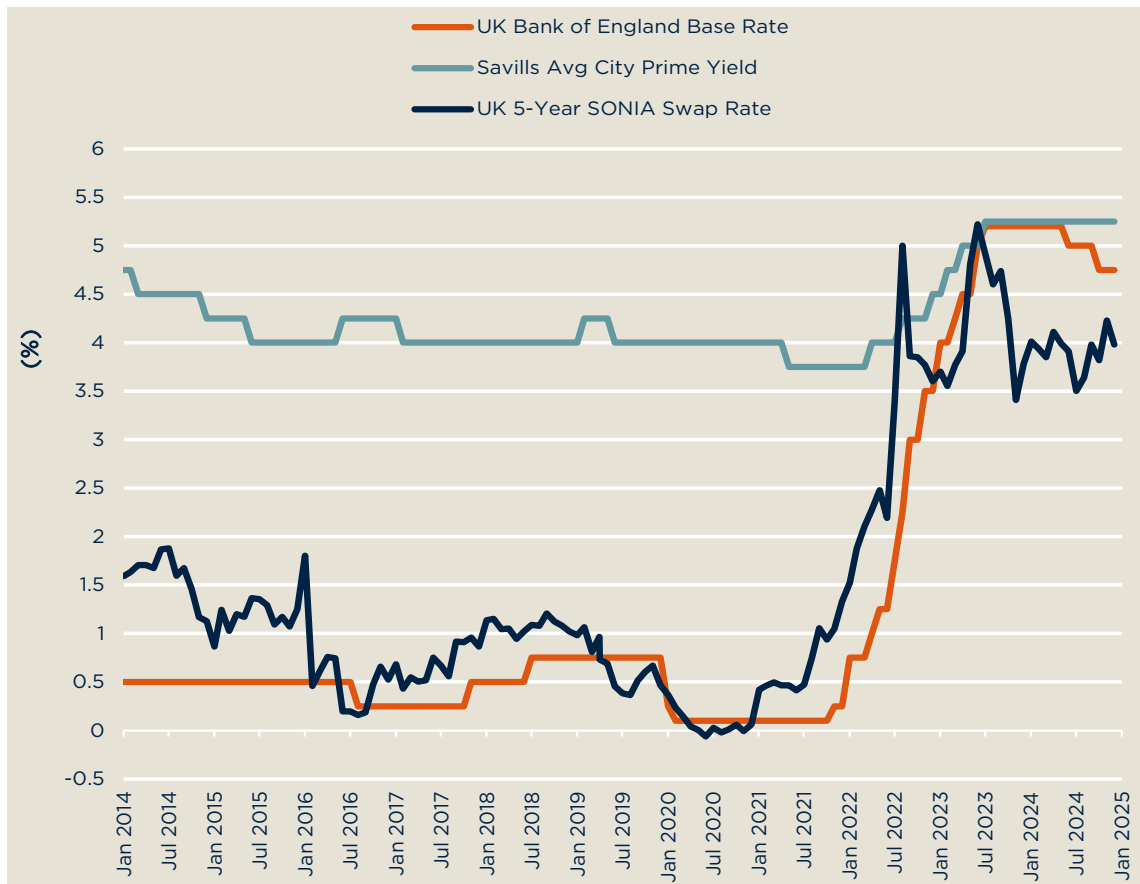
Graph 2



£1.27bn under offer across **29** transactions

City Yields

Graph 3



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