

City Investment Watch



2024 sees lowest annual turnover since 1996

December saw £162.8m of turnover across seven deals, reflecting an average lot size of £23.3m, bringing the final transaction volume for 2024 to £2.27bn across 84 deals. Compared to the 5-year average, the annual total for 2024 represents a 64% fall in transaction volume and is the lowest annual turnover seen in the City market since 1996. The number of deals reflects a 9% decrease compared to the 5-year average, demonstrating that although this year has seen a relatively steady flow of deals, the average lot size for 2024 was £27.0m, starkly lower than the 5-year average of £68.2m. This is due to the notable absence of the £100m plus lot size range which typically drives c.70% of annual turnover in the City market, averaging approximately 24 deals per annum over the last 10 years. This year, however, the City market saw only four deals in excess of £100m largely due to the ongoing challenge of elevated finance costs. At the end of the year, Savills is currently tracking a further £755m under offer across 25 deals and c.£1.57bn of available stock.

In the two largest deals of December, Savills acted on behalf of the Receivers for the sales of both the Relay Building, 114 Whitechapel High Street, E1, and also for the Roots in the Sky development project on Loman Street, SE1. The Relay Building is located directly above Aldgate East station and within 10 minutes' walking distance of Liverpool Street, Aldgate and Fenchurch Street stations. The building is held majority freehold and the landmark 22 storey tower, which was constructed in 2014, comprises 102,416 sq ft of office, education and retail accommodation arranged over lower ground, ground and six upper floors, as well as 207 sold-off residential apartments. The multi-let property provides a topped up passing rent of £5,323,698 per annum reflecting £51.98 per sq ft overall benefiting from 2.4 years to expiries and 1.8 years to breaks. The property received a positive pre-application for change of use to education across the office floors.

In another deal, DWS sold the freehold interest in St Bride's House, 10 Salisbury Square, EC4, to Simten and Invesco for a sum of £22.85m reflecting £449 per sq ft. The property is located on the eastern side of Salisbury Square in a strong Midtown location in close proximity to Blackfriars, City Thameslink and St Paul's station, and comprises 50,869 sq ft of office accommodation over lower ground, ground and six upper floors. With the exception of £70,000 of short term retail income, the property was sold with vacant possession to Simten and Invesco for an office refurbishment.

In the larger lot size range, it was reported that Nuveen rejected a bid from Blackstone for the long leasehold interest (193 years at 6.8% gearing) for 70 St Mary Axe, EC3. Totalling 315,639 sq ft, the property provides a net passing rent of c.£19.7m and a WAULTC of 6.3 years to breaks. It is understood that Blackstone's bid reflected circa 6.35% net initial yield amounting to approximately £300m, but Nuveen declined the offer.

The key theme of elevated financing costs continued to blight investment activity throughout the year, and despite interest rate cuts in August and November reducing the Bank of England base rate to 4.75%, the Monetary Policy Committee voted on December 18th to maintain the base rate at this level, serving as a reminder that the economic recovery will likely be a gradual process.

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



£2.27bn

2024 turnover across **84** transactions



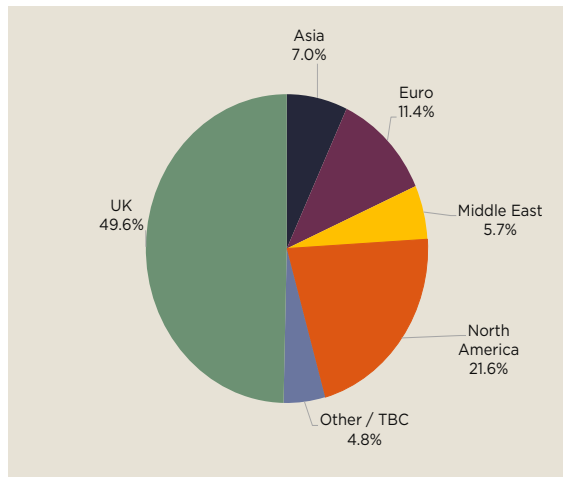
Savills Prime City yield remains at **5.25%** for the **17th** consecutive month



£27m is the average lot size in 2024, down from £47.3m in 2023

2024 City investment turnover by purchaser nationality

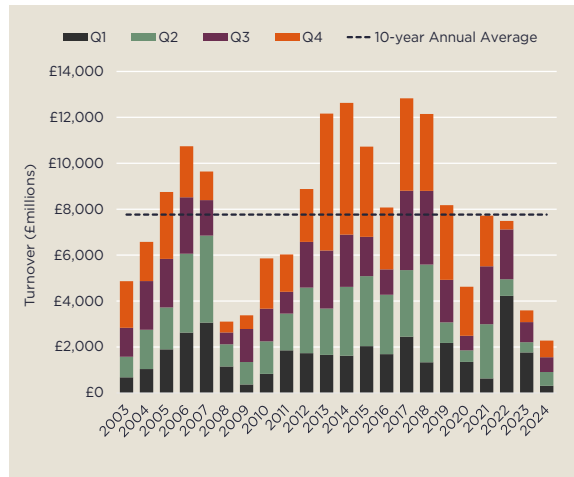
Graph 1



Source: Savills

Annual City investment turnover

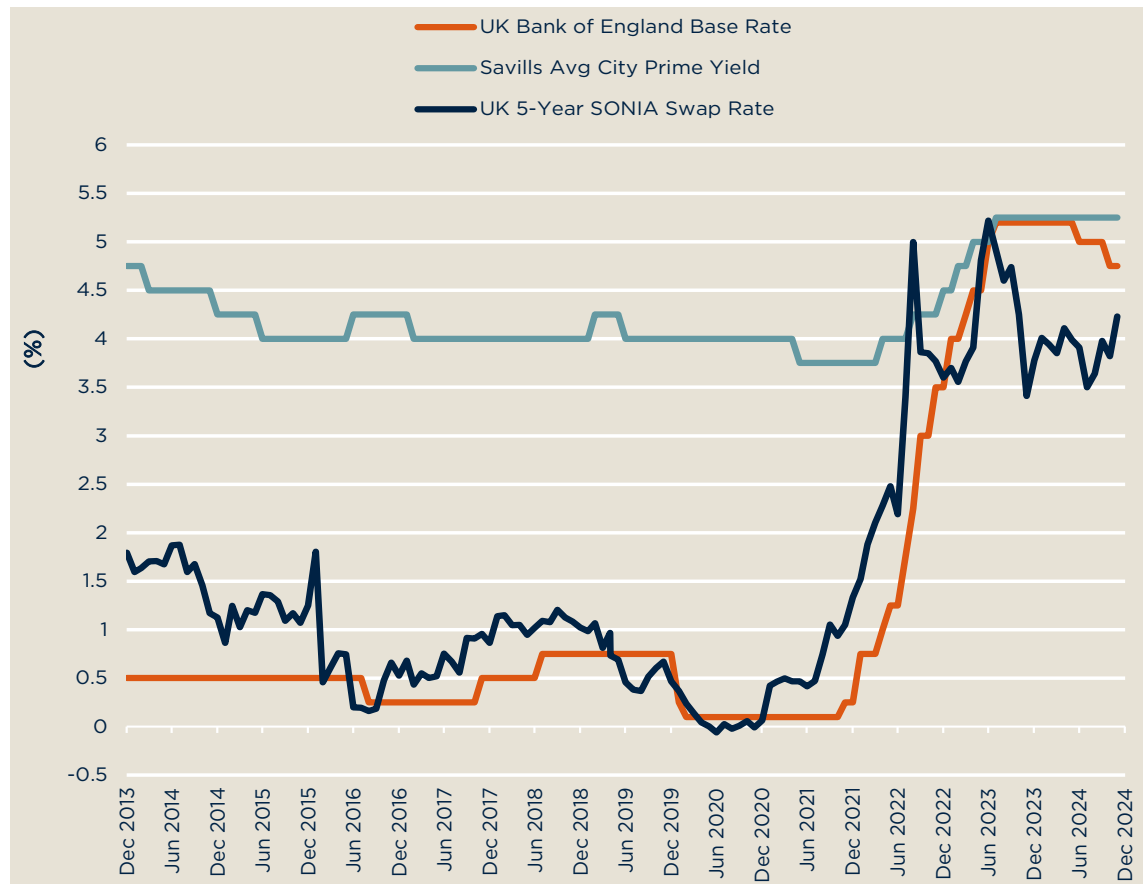
Graph 2



£755m under offer across **25** transactions

City Yields

Graph 3



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