

City Investment Watch



February sees another quiet month as the City market heads for lowest Q1 in more than a decade

There was muted activity in the month with just £52.76m transacting across 5 deals, reflecting an average lot size of £10.55m. The volume for February is marginally ahead of last year's total of £51.35m across 3 deals, which was the lowest for more than a decade.

Q1 has historically been the quarter which typically experiences the lowest turnover, but the year to date sum of £108.8m across 9 deals reflects an unusually slow start compared to the 10-year average of c.£838m over the first two months of the year. With the exception of the Covid-blighted Q1 2021 (c.£633m), the City investment market has not seen a first quarter with less than £1bn of turnover since the Global Financial Crisis, which saw £827.5m transact in 2010 and a record low of £368.8m in 2009.

Savills is currently tracking 18 deals which are currently under offer with an estimated value of £759.7m reflecting an average lot size of £42.2m.

In the largest deal of February, Savills advised on the acquisition of Old Change House, 128 Queen Victoria Street, EC4. The property is held long leasehold for a further term of 124 years from the City of London Corporation at a head rent of 8% of rents received. The property comprises 55,169 sq ft. of office and retail accommodation arranged over lower ground, ground and five upper floors and is located within a short walk of St Paul's Cathedral and Mansion House stations. Currently multi-let to four office and two retail tenants the property provides a topped up net rent of £2,714,768 per annum reflecting £53.39 per sq ft overall.

In the second largest deal of the month, 36-38 Botolph Lane was sold by a private UK investor to a private Spanish investor. Located to the south side of Eastcheap and within five minutes' walk of Monument and Cannon Street stations, the recently refurbished freehold building comprises 13,386 sq ft of office accommodation arranged over lower ground, ground

and five upper floors, and includes a 233 sq ft terrace on the fifth floor. The building is fully let to six office tenants at a passing rent of £682,328 per annum reflecting £50.97 per sq ft overall and provides a WAULT of 4.4 years to expiries and 2.0 years to breaks. The freehold was acquired for £9m reflecting a net initial yield of 7.11% and £672 per sq ft.

Following the prevalent theme of buyers seeking change of use opportunities, 39 Bell Lane, E1 also exchanged in February, with developer Criterion Capital acquiring the freehold interest from an owner occupier, Steamship Mutual. Located approximately three minutes' walk to the east of Liverpool Street, the property currently comprises 24,689 sq ft of office accommodation arranged over lower ground, ground and five upper floors, and was offered with full vacant possession available upon completion. We understand the agreed purchase price to be £9m, reflecting £365 per sq ft.

Although approximately £759.7m was under offer across 18 deals at the end of February, the City continues to see a lack of new supply, with only 3 new properties being launched to market during February, with an estimated combined value of approximately £64m. Equally, the enduring challenge of elevated finance rates continues, with the Bank of England maintaining the base rate at 5.25% during their last Monetary Policy Committee on January 31st, and the next committee not due until March 21st.

Savills City prime yield is 5.25%, whilst the West End prime yield is 4.00%. The MSCI City average equivalent yield stands at 8.15%, whilst the net initial yield is 4.98%.



£109m

2024 turnover across **9** transactions



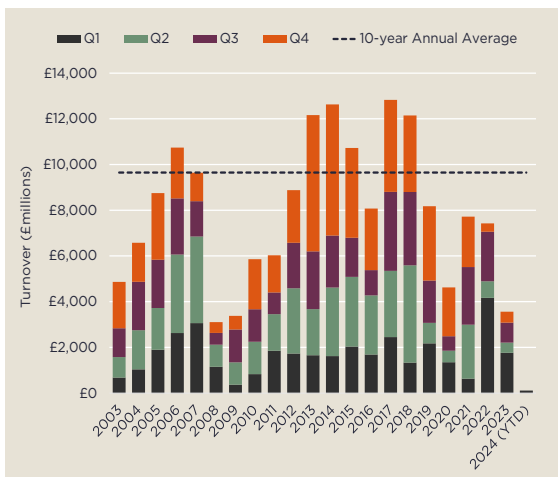
Savills Prime City yield remains at **5.25%** for the **7th** consecutive month



£1.39bn available across **61** assets

City quarterly investment turnover

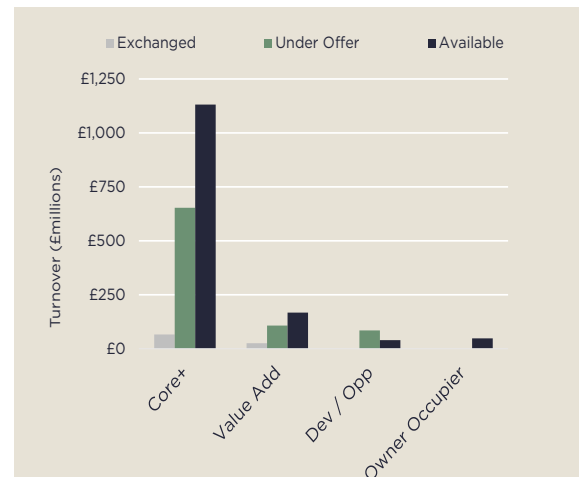
Graph 1



Source: Savills

City availability by investment type

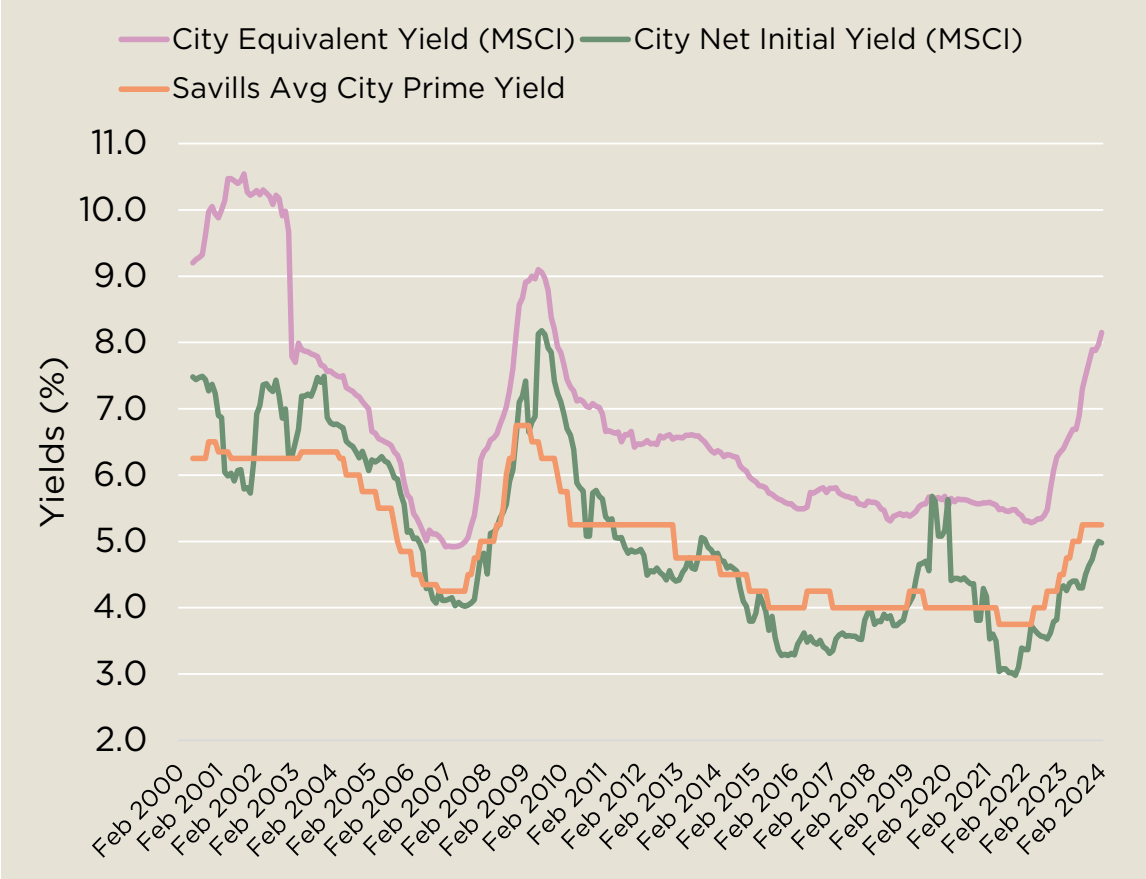
Graph 2



£760m under offer across **18** transactions

City Yields

Graph 3



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