

City Investment Watch



Turnover volumes remain low as the City awaits its first £100m+ deal of the year

April saw another quiet month, with £166.8m transacting across 6 deals, reflecting an average lot size of £27.8m. The year-to-date turnover at the end of April stood at £474.3m across 25 deals, which is 77% down on this time last year and 79% down on the five-year average and follows the lowest Q1 turnover since 1996. Notably, the number of deals is only 18% lower than the five year average, highlighting the trend of market inactivity in the larger lot size range, with 2024 still yet to see a transaction in excess of £100m. As at the end of April, Savills is tracking £303.6m under offer across 13 deals in the City.

In the largest deal of the month, Savills sold the freehold interest in Turnmill, 63 Clerkenwell Road, EC1, on behalf of Derwent London, for a sum of £77.35m reflecting a net initial yield of 4.90% and a capital value of £1,097 per sq ft. Located on the south side of Clerkenwell Road at its junction with Turnmill Street approximately 300 metres north of Farringdon station, Turnmill was developed by Derwent in 2015 and comprises 70,482 sq ft of office, retail and ancillary accommodation. The current passing rent is £4,025,000 per annum reflecting £57.11 per sq ft overall, with 93% of the income secured to Publicis Groupe on a long term lease providing a WAULT of 10.4 years to expiries and 8.3 years to breaks. The lease is subject to a 2025 open market rent review.

In the second largest deal of the month, Picton Property Income sold the freehold interest in Angel Gate, City Road, EC1. Located on the south side of City Road, approximately 5 minutes' walk from Angel station, the property sits on a 1.7 acre site which currently comprises 64,765 sq ft of office accommodation across 19 self-contained buildings, plus an extensive basement car park. The properties are let off a highly reversionary rent of approximately £1.3m per annum reflecting £20.95 per sq ft overall on short term leases providing for phased vacant possession between 2025-2027, which allows the potential for residential conversion.

The freehold interest was acquired by QSquare, a UK residential developer, for a sum of £29.6m reflecting £457 per sq ft. Launched to the market in January this year, the swift timeline to exchange in April further demonstrates the current market liquidity for opportunities to convert offices to alternative uses.

In another of the largest deals of the month, Greycoat acquired the freehold interest in 120 Aldersgate Street, EC1, from Legal & General for an undisclosed price reflecting a net initial yield in excess of 10% and a capital value sub £500 per sq ft. The property comprises 45,089 sq ft of office and ancillary accommodation arranged over ground and eight upper floors, 75% of which have been recently refurbished and now benefit from EPC ratings of A or B. The property is multi-let to four tenants with two vacant floors, with a total passing rent (including top ups) of £2,536,859 reflecting £56.26 per sq ft overall, and WAULT of approximately 3 years on the let accommodation.

In terms of ongoing trends, we continue to see a lack of stock being openly marketed with £40m launched to the open market across two deals in April. That said, the challenging economic climate and stifling theme of elevated interest rates saw some small signs of encouragement as the CPI inflation rate dropped to 3.2%, edging closer to the Bank of England's 2.0% target, and although the latest Monetary Policy Committee meeting voted to maintain the base rate at 5.25%, it is interesting to note that two of the nine members voted to reduce the rate by 25 basis points for the first time since rate rises began in 2022.

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 4.18%.



£474.3m
2024 turnover across **25** transactions



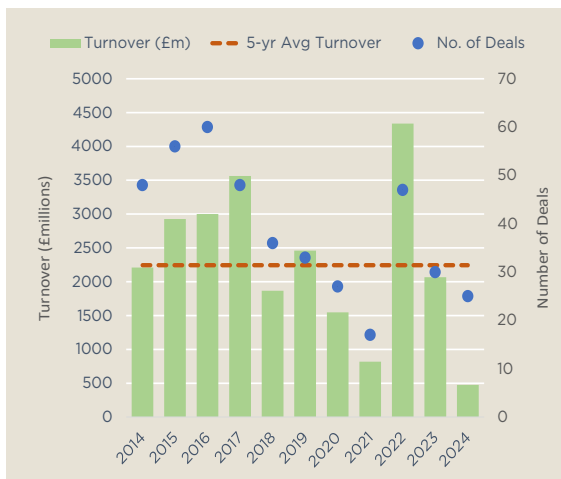
Savills Prime City yield remains at **5.25%** for the **9th** consecutive month



£1.50bn available across **61** assets

City year-to-date investment turnover

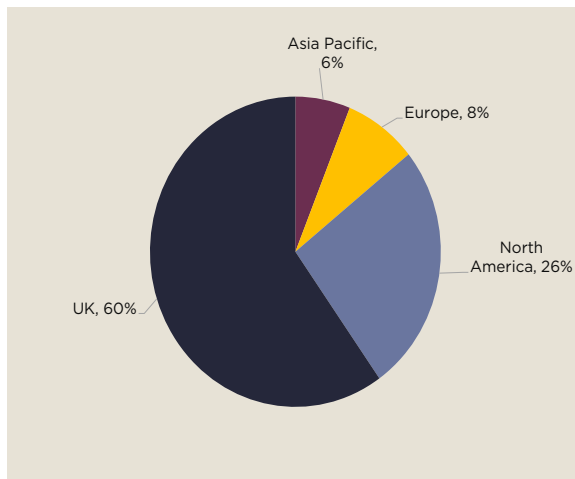
Graph 1



Source: Savills

Turnover by purchaser nationality

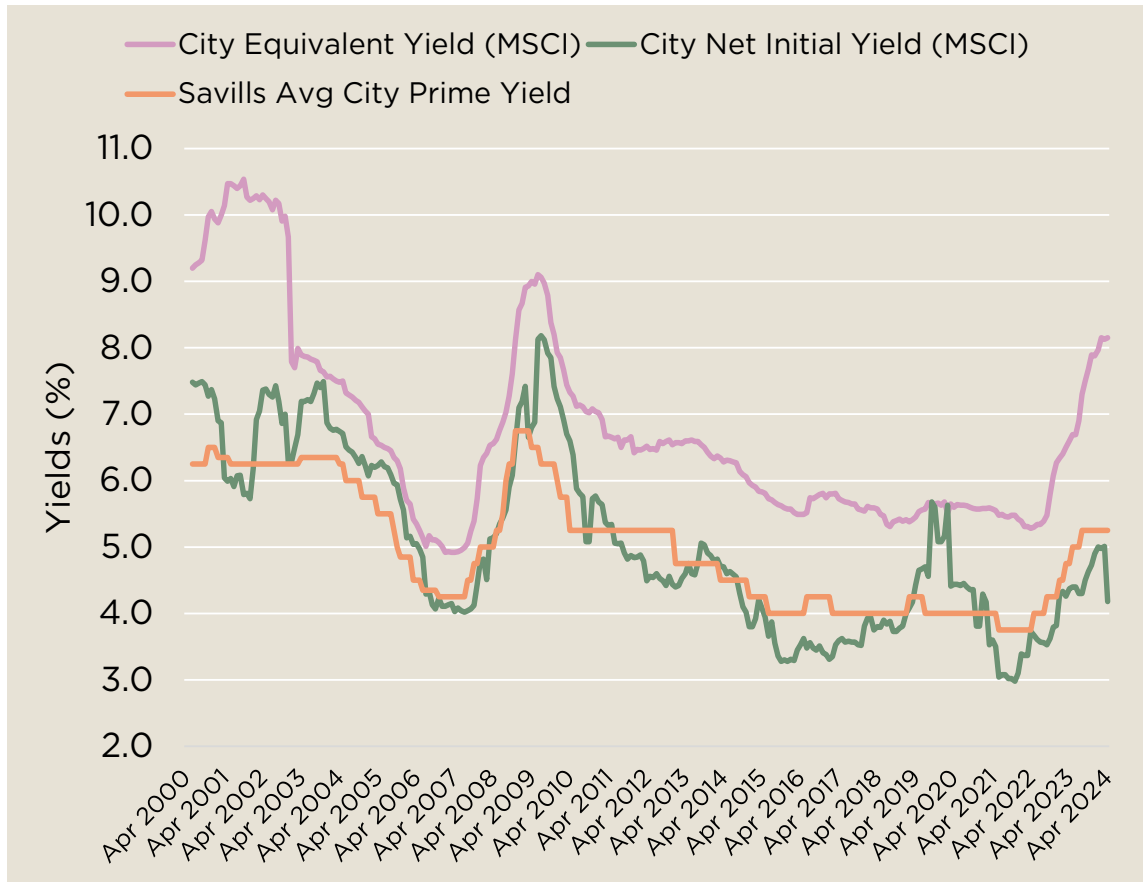
Graph 2



£303.6m under offer across **13** transactions

City Yields

Graph 3



Savills contacts

Please contact us for further information

Stephen Hartley

Director
City Investment
020 7409 8955
shartley@savills.com

Billy Robinson

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

Ed Robinson

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

Savills plc: Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 600 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written