

City Investment Watch



October sees subdued activity in the City, however, a number of bidding processes are ongoing

Following a relatively buoyant September which saw £457.6m of transaction activity and the busiest month since March, October saw subdued activity as only 4 deals amounting to £18.0m of investment turnover exchanged, reflecting the lowest monthly volume this year. This brings the total City investment volume as at the end of October to £3.09bn across 61 deals, reflecting an average lot size of £51.5m. When compared to the 5-year average for the year to date, activity is approximately 53% lower in terms of transaction volume and 26% lower by number of deals. Savills is currently tracking a further 14 deals under offer totalling c.£430.8m, and £2.13bn of stock available in the market across 65 deals.

During October, Savills advised on the disposal of the long leasehold interest in 10-16 Bevis Marks, EC3. Located approximately 350 metres to the south-east of Liverpool Street station and comprising 10,811 sq ft of office and retail accommodation arranged over basement, ground and three upper floors. The property was sold with full vacant possession of the entire office element (which comprises c.95% of the NIA), while the 542 sq ft retail unit is let until 2029 at a passing rent of £18,000 per annum reflecting £33.21 per sq ft. The property was sold to Sterling Real Estate for £4m reflecting a capital value of £370 per sq ft. This transaction represents another example of a vacant office building being acquired with a view to securing a change of use to hotel/ serviced apartments, a theme which is expected to continue into next year. The deal also marks Savills' 13th transaction in the City market this year, amounting to a total volume of £1.49bn, reflecting a 48% market share by volume.

In October, Columbia Threadneedle sold the freehold interest in 16 St Clare Street, EC3, to a private investor for £5.32m, reflecting £512 per sq ft. The property comprises 10,398 sq ft of office and ancillary accommodation arranged over basement, ground and four upper floors, all of which (save for the 3rd floor) underwent a comprehensive refurbishment in 2018. The deal marks Columbia Threadneedle's sixth disposal in the City market this year, and the fourth since September 2023, having recently sold 41 Luke Street, EC2 and 69 Carter Lane, EC4,

both of which were held within the Capital Portfolio. This transaction highlights the ongoing trend of institutional funds disposing of liquid lot size assets to raise liquidity.

In the biggest deal of October, a private UK investor purchased the freehold interest in 14 Bedford Row, WC1 from the owner occupier, The Chartered Society of Physiotherapists for a price of £7.3m reflecting £452 per sq ft. The property consists of 14 Bedford Row, WC1, a Grade II Listed Georgian building, and extends to 12-13 & 14 Jockey's Fields, WC1 to the rear of the site which totals 16,167 sq ft NIA. The property was sold with full vacant possession.

Despite the quiet October, there are signs pointing towards increased market activity in the final months of 2023 as a large proportion of the £430m currently under offer is due to exchange before year end allied to multiple sale processes where bids are due in November. Among these are 5 Churchill Place, E14 and Atlas House, EC2 (both of which are being sold by Savills), as well as 120 Aldersgate Street, EC1, 51 Eastcheap, EC3 and Old Change House, 128 Queen Victoria Street, EC4.

In terms of the macroeconomic conditions which have provided a challenging backdrop to 2023, October witnessed further signs of improvement in the form of a substantial fall in the inflation rate. The Consumer Price Index released in October showed inflation falling to 4.6%, reflecting a 210 bps fall since September, and 650 bps since peak inflation in October 2022. The drop in inflation seen in October follows the Bank of England's decision to maintain the base rate at 5.25% during the last Monetary Policy Committee in September, and with the fog starting to clear on the horizon and the adjustment to owners' pricing expectations, we anticipate we will start to see more, larger-scale transactions as we progress through 2024.

Savills City prime yield is 5.25%, whilst the West End prime yield is 4%. The MSCI City average equivalent yield stands at 7.68%, whilst the net initial yield is 4.63%.



£3.09bn
year-to-date turnover
across **61** transactions



£1.49bn
year-to-date turnover
completed by Savills



£430.8m under-offer
across **14** deals



APAC investors account
for **59%** of 2023
year-to-date turnover

City year-to-date investment turnover

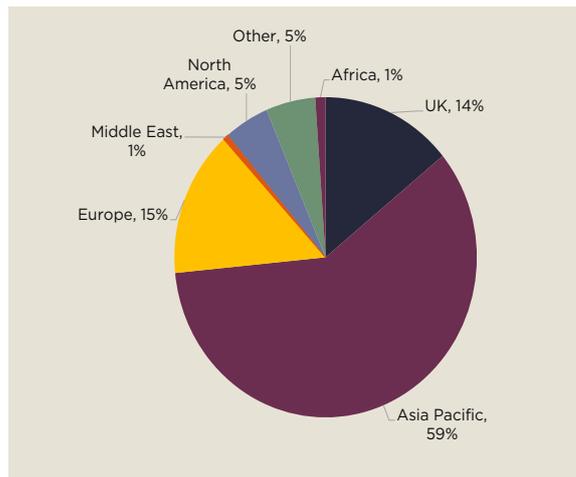
Graph 1



Source: Savills

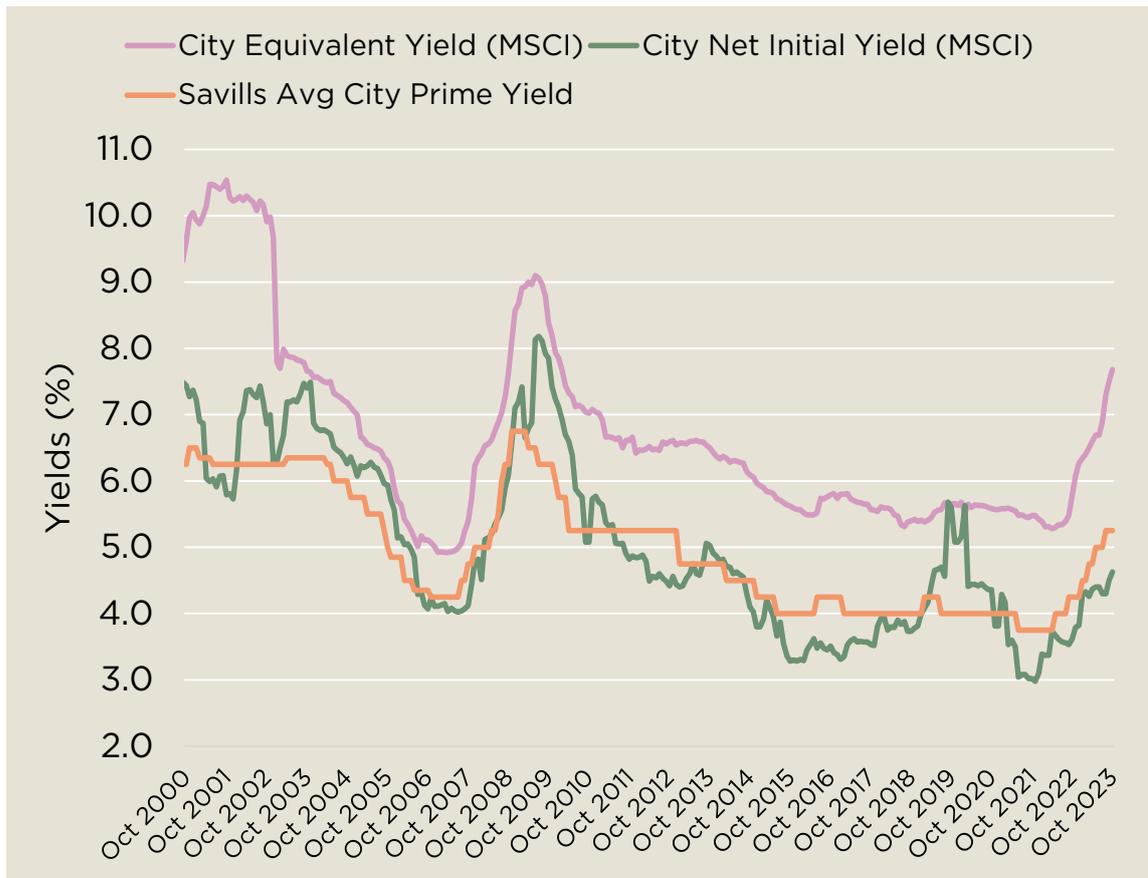
Turnover by nationality

Graph 2



City Yields

Graph 3



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