

# City Investment Watch



## Savills City market share stands at 49% year to date and 61% of all transactions over £100m

The City market saw the busiest month since March with £457.6m transacting across 12 deals during September, reflecting an average lot size of £38.1m. This brings the Q3 total to £865.6m across 20 deals, which when compared to Q2 shows a 93% increase in transaction volume across twice as many deals. We are seeing the spread between bids and asking price narrowing with vendors seemingly more willing to accept the market adjustments in pricing. The total investment volume for the year to date stands at £3.08bn across 58 deals, which is 47% down on volume and 23% down by number of deals when compared to the 5-year average. Savills is currently tracking a further 12 deals under offer totalling c.£395.9 million, and £2.11bn of stock available in the market.

Savills advised on the largest deal in September, Bloom, 48-50 Cowcross Street, EC1 which was acquired by UBS from HB Reavis. Completed in 2021 the property is held long leasehold for a further 148 years, subject to a head rent of 6.35% of the rents receivable. Compromising 143,935 sq. ft. NIA of office and retail accommodation, the building is situated in a prime location immediately adjacent to the western entrance of Farringdon station. The majority of the office accommodation is let to Snap Group on new 10-year leases expiring in January 2032 at a blended rent of c.£87.50 per sq. ft. overall. Following the sale of 8 Bleeding Heart Yard in August at a NIY of 4.35% and Bloom, we are seeing some vital data points in a transaction starved market.

During the month, the sale of New London House, 6 London Street, EC3 further highlights the growing trend of hotel and serviced apartment buyers looking for change of use opportunities, as Whitbread acquired the freehold interest from Orchard Street for £56.5 million, reflecting a capital value of £630 per sq. ft. on the existing area. The property comprises 89,722 sq. ft. of office and retail accommodation and provides a block date in July 2024 on the office accommodation.

Also within the month, Savills advised British Land on the disposal of the Network Portfolio, which comprises six freehold data centres with office components and totalling 259,456 sq. ft., fully let to Vodafone Enterprise UK on co-terminus leases expiring in April 2032, reflecting a WAULT of 8.6 years term certain. The portfolio was acquired by ICG for £125 million reflecting a net initial yield of 4.60% and a capital value of £482 per sq. ft. overall. Four of the properties are located within the City market, totalling 206,392 sq. ft. and with a combined value of £106.6m.

On September 20th, The Bank of England's Monetary Policy Committee opted to maintain the base rate of 5.25% following 500 basis points of rises since January 2022 and a 150 basis point rise during H1 2023 alone. With signs of the stabilisation of interest rates and falling inflation we are seeing increasing investor confidence, though higher interest rates have challenged the deal making environment with the market being driven primarily by private investors and property companies buying during 2023. Should financing costs remain high for a prolonged period we should expect to see further deleveraging and sales as a result.

In terms of buyer profile trends, UBS's acquisition of Bloom, 48-50 Cowcross Street, stands out as the first transaction in excess of £100 million to have been purchased by a European buyer this year. Of the seven £100million+ transactions in 2023, the previous six have all been purchased with Asian capital. European and Asian investors make up the largest proportion of buyer groups so far this year, with shares of 15% and 60% respectively across all transactions. The notable absence of several key international buyer groups has been another factor in the decreased lack of investment through 2023, most notably North American investors, who have accounted for only 3% of all year-to-date turnover, while Middle Eastern investors make up only a 1% share.

Savills City prime yield is 5.25%, whilst the West End prime yield is 4%. The MSCI City average equivalent yield stands at 7.5%, whilst the net initial yield is 4.5%.



**£3.08bn**  
year-to-date turnover  
across **58** transactions



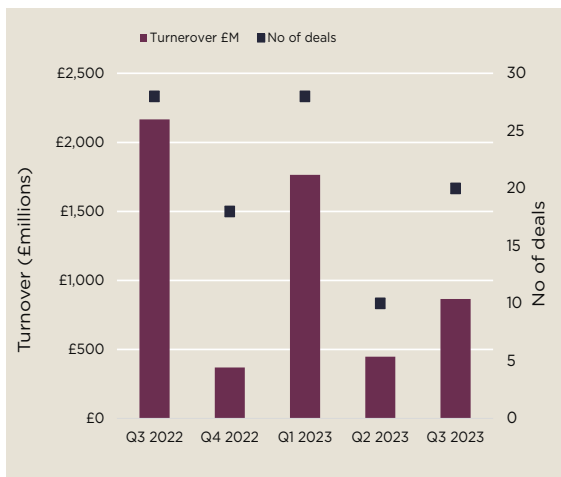
**£865.6M**  
Total turnover in Q3, up  
93% on Q2.



**£395.9M** under-offer  
across **12** deals

### City investment turnover by quarter

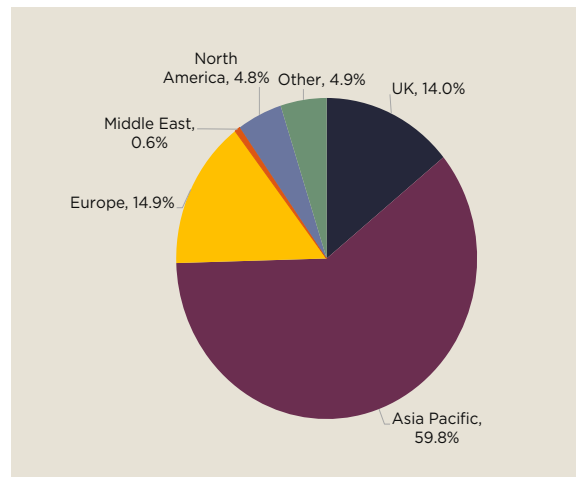
Graph 1



Source: Savills

### Turnover by nationality

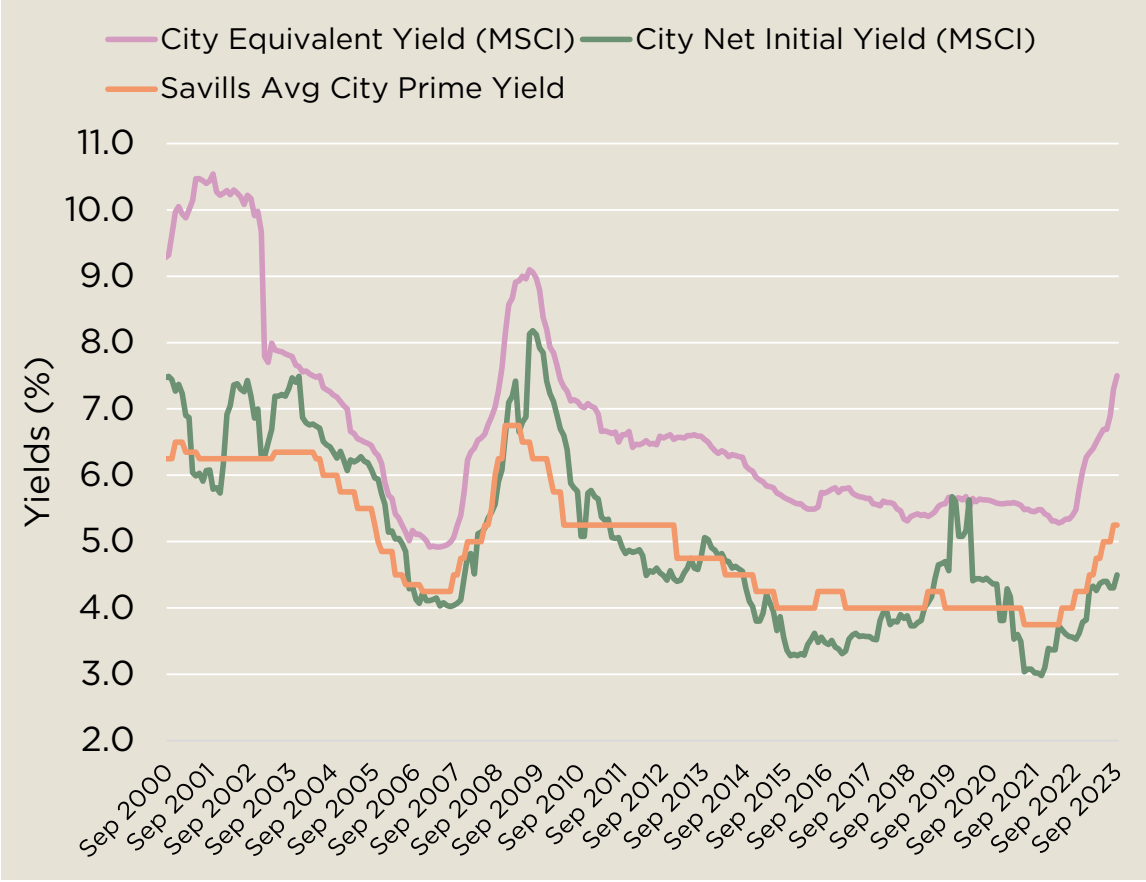
Graph 2



APAC investors account  
for **60%** of 2023  
year-to-date turnover

City Yields

Graph 3



Source: Savills and MSCI

Savills contacts

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