

City Investment Watch

Commercial – City Offices – January 2026



December sees £1.55 billion monthly turnover as 2025 ends positive

December saw positive momentum with £1.55bn of turnover across 20 deals, representing both the highest number of deals and the highest monthly turnover seen in the City market since March 2022. The number and quantum of deals – which included three deals in excess of £250m – boosted the total stats for 2025 to £4.63bn across 101 deals, reflecting an average lot size of £45.8m. Following the nadir of 2024, which saw the lowest annual turnover since 1996, the total for 2025 reflects a 104% increase by volume, largely as a result of increased liquidity in the £100m+ lot size range, with 13 deals over £100m compared to only 4 during 2024. Despite the robust recovery, the overall volume still remains 10% down when compared to the 5-year average, but it is interesting to note that the number of deals (101) is 19% higher than both 2024 and the 5-year average. With a further £2.04bn currently under offer across 42 deals, including five deals in excess of £100m, the pipeline for the first half of 2026 looks set to help maintain momentum, along with the Bank of England's decision to cut interest rates to 3.75% on December 18th.

In the month, Savills advised on the formation of a joint venture between Mitsubishi Estate London Limited and Daibiru Corporation on the Warwick Court long leasehold and Paternoster Square Estate headlease interests. The transaction totals 208,007 sq ft with Warwick Court comprising high quality office and retail accommodation that has been subject to an extensive refurbishment, completing to EPC A standard in 2022. The primary occupiers are T. Rowe Price and Mitsui Bussan Commodities, with the asset providing a WAULT of 11.1 years to expiries and 8.6 years to breaks. The long leasehold interests provide 209 years unexpired at a peppercorn rent. Daibiru Corporation acquired a majority interest.


In the largest deal of both the month and the year, Capreon and Hayfin Capital Management acquired the long leasehold interest (190 years unexpired term at 6.8% gearing) in 70 St Mary Axe, EC3, buying from Nuveen for £331m reflecting a net initial yield of 5.86% and a capital value of £1,050 per sq ft. Located on the north-eastern side of St Mary Axe, approximately 5 minutes' walk from Liverpool Street station, the property consists of a distinctive oval-shaped tower building – nicknamed 'The Can of Ham' – completed in 2019

and comprising 315,639 sq ft across 21 upper floors. The property is let to 11 tenants at a net passing rent of £19.7m per annum reflecting £62.37 per sq.ft overall and providing a WAULT of 6.1 years to earliest determinations. The long leasehold interest was acquired by Capreon and American private equity firm, Hayfin Capital Management, at 5.86%, and followed unsuccessful bids at 6.25% and 6.00% by Blackstone in H2 2024 and H1 2025 respectively.


In another major deal, and the third largest deal of 2025, Norge Bank Investment Management (NBIM)s purchased the Fruit & Wool Exchange, Brushfield Street, E1. Located approximately 400 metres to the east of Liverpool Street station, the property comprises a 341,148 sq ft office and retail accommodation arranged across two lower ground, ground, and five upper floors and is fully let to one office and eight retail tenants at a net rent of £19.7m per annum reflecting £58.90 per sq ft overall. 93% of the income is secured to the sole office tenant, Ashurst LLP, on a 20-year lease expiring in 2038, and contributes to an overall WAULT of 14.7 years (inc. retail) to earliest determinations. NBIM acquired the long leasehold interest (148 years unexpired term at 5% gearing) from M&G for c.£325m reflecting a 5.95% net initial yield and £953 per sq ft.

With falling interest rates and rising transaction volumes, the last quarter of 2025 suggests the City market is now at its strongest point since Q1 2022, and with sentiment improving and a number of traditional institutional investors returning to the market, there is a sense of optimism that the strong finish to 2025 will transfer into further recovery during 2026. With £2.04bn under offer at the turn of the year, Q1 2026 looks set start well, but much will depend on whether the macroeconomic and geopolitical climate provide suitable conditions for the resurgence of the £100m+ market to continue.


The City prime yield remains at 5.25%, while the West End prime yield is 3.75%.



£4.63bn
2025 TURNOVER
ACROSS 101
TRANSACTIONS



-10%
VOLUME IS DOWN 10%
ON THE 5-YEAR
AVERAGE

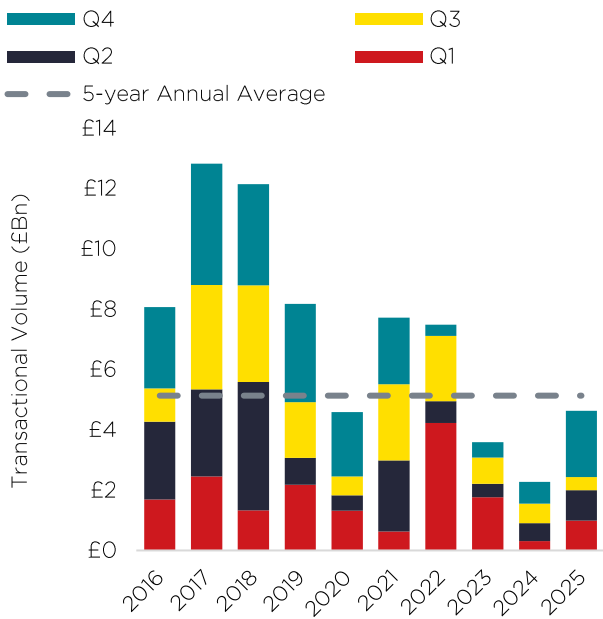


5.25%
CITY PRIME YIELD
REMAINS AT 5.25% FOR
THE 29TH MONTH



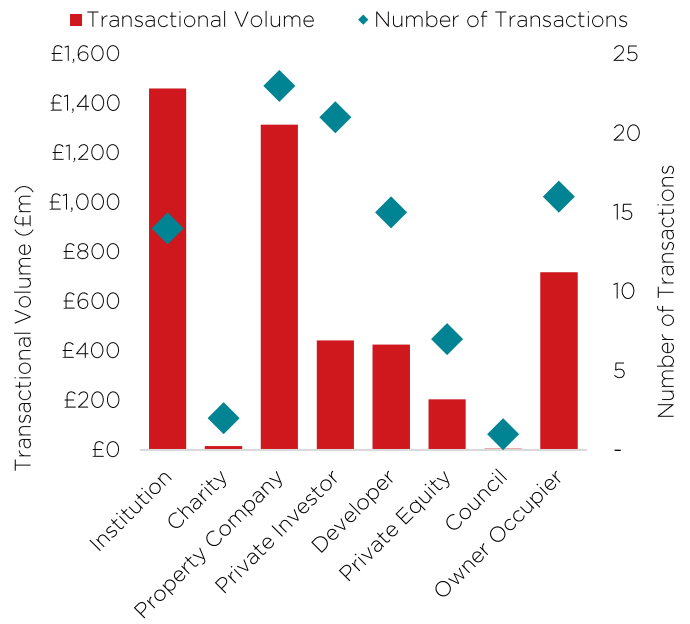
£2.04bn
UNDER-OFFER AT THE
END OF DECEMBER

Chart 1: City Investment Turnover by Quarter



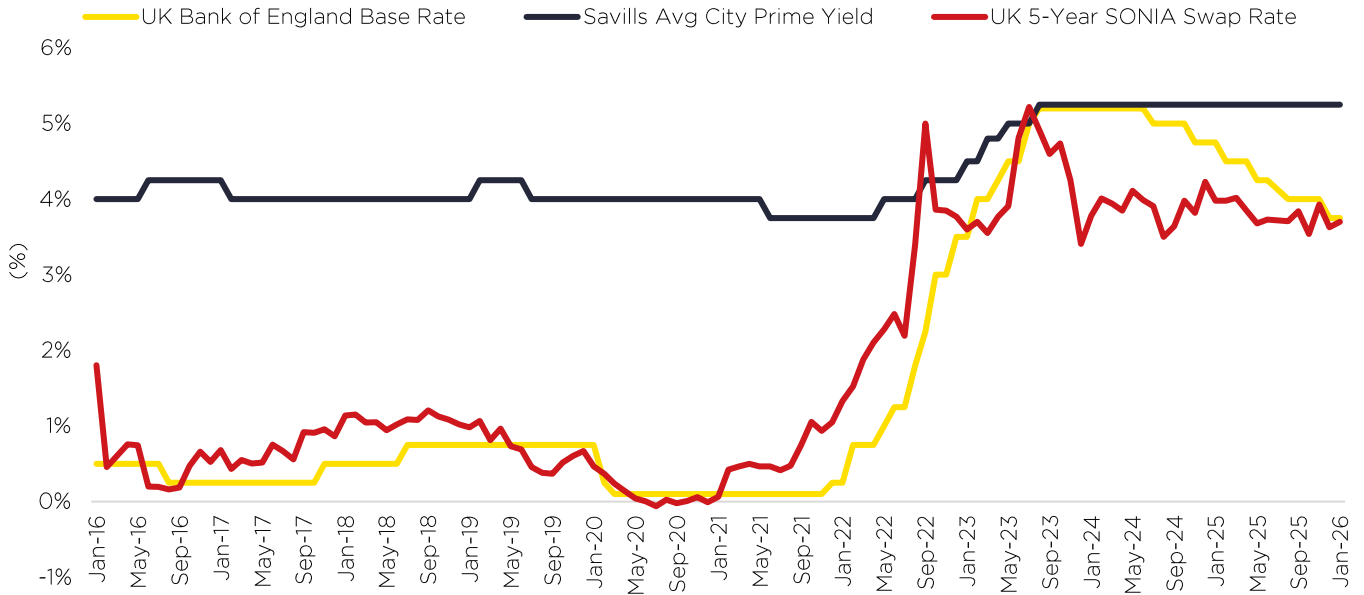
Source: Savills Research

Chart 2: 2025 City Investment by Purchaser Profile



Source: Savills Research

Chart 3: City Yields



Source: Savills, Bank of England, Chatham Financial



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