

JLL forecasts £2.1bn transacted in Q1 2023 across the Central London office market

2 years ago



JLL has revealed that investment volumes in the Central London office market for Q1 2023 are expected to reach £2.1bn. The real estate adviser's provisional figures demonstrate that £1.4bn was invested in the City of London and £670m transacted in the West End throughout the first quarter of 2023.

JLL cited that this represents a 63% drop from the corresponding quarter of 2022. The difference is attributed to an unprecedented strong first quarter of 2022 due to the wide scale return to the office post-pandemic driving up volumes. In contrast to investment activity prior to Covid-19 the first quarter of 2023 has seen a 39% fall compared to the £3.4bn that was transacted in Q1 2019.

According to JLL within Q1 2023, there were 22 transactions across Central London. There have been a number of notable transactions, including the sale of St Katharine Dock to CDL for £395m, ChinaChem's purchase of 1 New Street Square for £349m and the sale of 60 Gracechurch Street to Obayashi for £140m.

These muted Q1 figures follow a slow final quarter of 2022, in which £1.9bn was transacted. JLL attributed this in part to the volatility surrounding the government's mini-budget and the subsequent fallout during September and October. JLL has predicted that investment activity will improve in the second half of 2023, with elevated capital flow from Asia-Pacific buyers, particularly those from Singapore and Hong Kong.

Julian Sandbach, Head of Central London Office Markets at JLL, said: "The level of capital deployed into Central London in the first quarter of 2023 has been relatively muted with a total of £2.1 bn invested, notably down on the corresponding period in 2022 when we saw £5.7bn committed following the end of covid restrictions and a return to office. Clearly the significant inflationary pressures seen building from summer 2022 and the corresponding rising cost of financing have impacted confidence and liquidity, leading to a more cautious environment.

“Despite these challenges London continues to see significant capital from overseas, notably Asia with largest transactions in the capital undertaken by Singaporean, Hong Kong and Japanese investors. Much of the investment is channelled into high quality, well specified, environmentally enhanced offices, which is where there is strong focus from occupiers seeking to pre-lease and capital seeking to fund or joint venture. International and domestic investors remain focussed on attaining London assets and we expect to see investment volumes begin to increase in the coming months.”