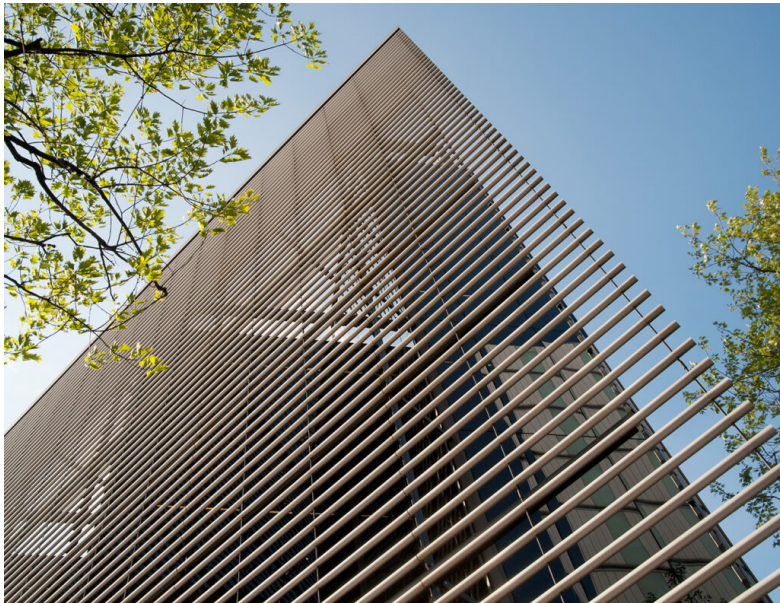


Offices lead UK 2023 YTD transactions; logistics and WE offices likely to lead activity going into 2024

3 years ago



Offices have been the most traded real asset class in the UK real estate markets in the first three quarters of 2023, according to [Savills](#), accounting for 26% of all transactions, after an uptick in the number of office transactions in the central London from mid-September.

In its [October Market in Minutes report](#), Savills says that prime logistics and West End offices will lead the next phase of the UK real estate investment market cycle going into 2024, as both asset types offer potential buyers a combination of solid rental growth expectations (in a flat-lining economy) and some yield hardening over the next five years, and will therefore likely to see their pricing recover first.

The recent stabilisation of UK interest rates is mirrored in Savills all-sector prime yield, which remained at 5.75% in September.

Mat Oakley, head of UK and European commercial research at Savills, adds: “We don’t expect interest rates to begin falling until Q3 next year, but investors can now start to believe that the next move is downwards: this is important for market pricing and activity over the next six months. The removal of one reason not to buy now is important, but buyers’ attention will now focus on rental growth prospects and capex concerns.”

Richard Merryweather, joint head of UK commercial investment at Savills, comments: “Our latest investor sentiment survey of European and Middle Eastern pan-European buyers, representing over €500bn AUM, shows positive conditions for those looking to sell in the UK: 80% of respondents want to invest here over

the next 12 months, driven by both a recognition of the growth prospects and more realistic pricing than some other countries. While logistics remain top of their shopping lists, CBD offices unsurprisingly currently aren't as favoured, but we expect this to change as it becomes more widely recognised how strong the UK prime office market actually is – signs of which are already starting to come through in central London deal activity.”