

# City Investment Watch



## June sees highest monthly turnover of the year and the first £100m+ transaction of 2024

In June, turnover reached £285.5m across nine deals, the highest monthly transaction volume this year and provides green shoots of activity in a stock-starved market. The month also saw the first £100m+ transaction of the year, in the lot size range which typically accounts for approximately 70% of annual turnover. The year-to-date turnover stands at £909.6m across 39 deals, reflecting an average lot size of £23.3m; year-to-date turnover is 70% down on the five-year average, and deal volumes at the half year are the lowest since 1996.

Although turnover volumes remain low, the number of deals this year is only 11% down on the five-year average, demonstrating healthy liquidity for the smaller lot size ranges. An increasingly stable economic and political landscape emerging along with anticipated interest rate cuts means we expect to see more activity in the £100m+ lot size range during the latter half of the year.

In the largest deal of the month and the first £100m+ deal of the year, Yellow Tree Group acquired the freehold interest in Herbal House, 8-10 Back Hill, EC1. Held freehold, the property sits approximately 400 metres to the north of Farringdon station and comprises 114,041 sq ft of office and residential accommodation arranged over basement, lower ground and seven upper floors. Comprehensively redeveloped in 2017, the building benefits from high ESG credentials, including an EPC B and BREEAM 'Very Good' rating. The building is fully let to four office tenants and one serviced apartment occupier, providing a WAULT of 5.7 years to expiries and 4.2 years to breaks at a passing rent of £7,095,285 per annum, reflecting £62.22 per sq ft overall. After an unsuccessful sales process in 2023, Macquarie appointed receivers. Following competitive bidding, the property was sold for a sum of £101m, reflecting a net initial yield of 6.58% and a capital value of £886 per sq ft.

In June, the freehold interest in Hoxton Campus, EC1, was sold by PSP and Aviva for £24m. The Hoxton Campus is a freehold office portfolio comprising three self-contained office buildings totalling 32,379 sq ft, all of which have been recently refurbished or redeveloped and benefit from EPC B ratings.

Located approximately 300 metres to the east of Old Street station, the properties are multi-let to five tenants (with two vacant floors in one building), and provide a combined topped-up passing rent of £2,059,317 per annum, reflecting £63.60 per sq ft overall. The WAULT is 5.1 years to expiries and 2.4 years to breaks. Following its disposal of 140 Leadenhall Street last month, Aviva sold the Hoxton Campus to Canva, a Sydney-based graphic design company which currently occupies one of the three buildings as a tenant, for a sum of £24m, reflecting a net initial yield of 8.04% and £741 per sq ft overall.

In the month, the freehold interest in 90-98 Union Street, SE1, sold for £14.65m reflecting a net initial yield of 7.26% and a capital value of £808 per sq. ft. Located in Southwark and in close proximity to London Bridge and Borough stations, the property comprises 18,142 sq ft of office accommodation which was comprehensively refurbished in 2017 to include roof terraces both private and communal on the fourth floor. The property is fully let to two office tenants at a passing rent of £1,135,231, reflecting £63.67 per sq ft overall and provides a WAULT of 8.3 years to expiries and 3.3 years to breaks. The building was acquired by French SCPI fund, Iroko Zen, from the seller CBRE IM and further emphasises an emerging trend of French funds looking to acquire properties with secure income at attractive net initial yields.

A change in government and the election of Sir Keir Starmer's Labour Party allayed fears of uncertainty about the country's political leadership for the coming years; the macroeconomic picture remained unchanged as the Bank of England Monetary Policy Committee maintained the base rate at 5.25%. Although the market saw £120m of new stock across six deals during June, the lack of availability continues to leave buyers with limited options, and with the inevitable summer holiday lull pending, it is unlikely that the market will see many further launches before September.

Savills City prime yield is 5.25%, while the West End prime yield is 4.00%.



**£909.6m**

Jan-Jun turnover across **39** transactions



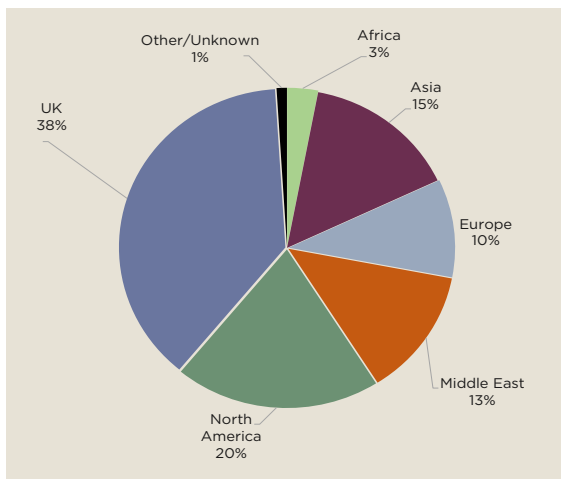
Savills Prime City yield remains at **5.25%** for the **11th** consecutive month



**54%** of transactions this year have been for assets below **£20m**.

### City H1 investment volume by purchaser nationality

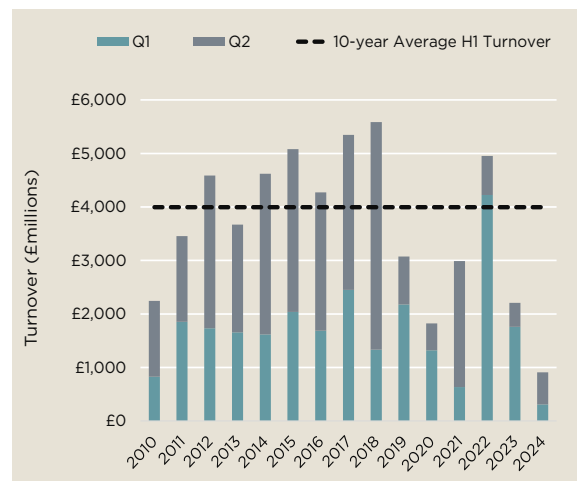
Graph 1



Source: Savills

### City quarterly investment turnover

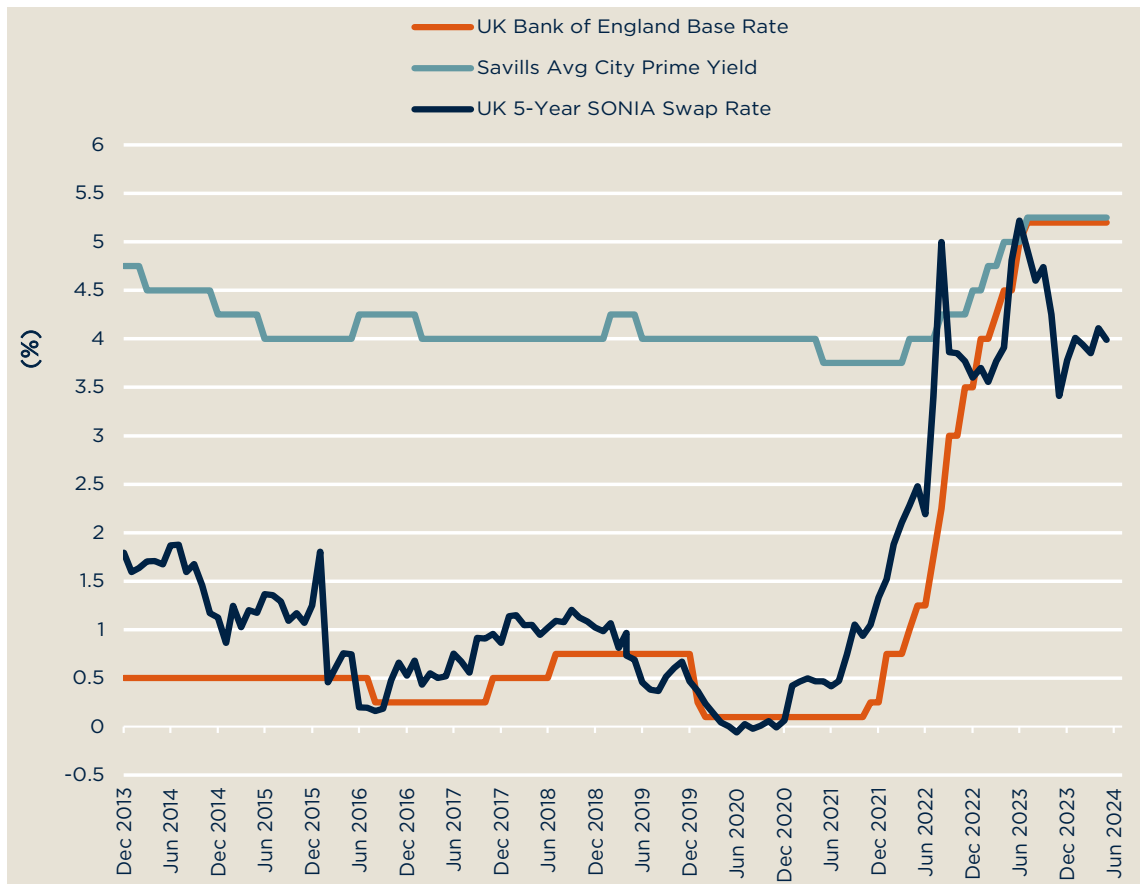
Graph 2



**£152.0m** under offer across **10** transactions

## City Yields

Graph 3



## Savills contacts

Please contact us for further information

### Stephen Hartley

Director  
City Investment  
020 7409 8955  
shartley@savills.com

### Billy Robinson

Associate  
City Investment  
020 7824 9067  
billy.robinson@savills.com

### Ed Robinson

Analyst  
Research  
020 7299 3043  
ed.robinson@savills.com

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