

# City Investment Watch



## Transaction activity remains low in August as the City awaits fresh stock

August saw just £76.7m of turnover across three deals, reflecting an average lot size of £25.3m. Transaction volumes in the City investment market typically see a quietened period during the summer break, however, August's inactivity marks the lowest number of deals seen in a month this year and the lowest monthly turnover since February. Year-to-date (YTD) turnover volume currently stands at £1.16bn across 49 deals, reflecting an average lot size of £23.8m, reflecting the ongoing trend of investor activity focusing on the smaller lot size ranges. The year-to-date turnover volume is down 71% on the five-year average, while the number of deals reflects a 16% decrease.

In the largest deal of the month, Savills advised Aviva on the disposal of the freehold interest in 1 Bow Churchyard, EC4. Located in a prime City core location within five minutes' walking distance of St Paul's and Bank stations, the property was comprehensively refurbished in 2020 to provide a best-in-class headquarters office building with an EPC B and BREEAM rating of 'Very Good', and comprises 44,430 sq ft of office, retail and ancillary accommodation arranged over basement, ground and five upper floors. The property provides a topped up passing rent of £3,086,116 per annum with 92% of the income and the entire office accommodation being single let to major UK law firm, Shoosmiths LLP, on a lease expiring in December 2035 subject to CPI linked rent reviews (compounded annually) in 2025 and 2030. Launched to market in May 2024, the sale demonstrates investor demand for best-in-class assets with secure long term income and strong ESG credentials.

In the second largest deal of the month, Nuveen sold the freehold interest in The Stock House, 17-18 Britton Street, EC1, to a UK owner occupier for a sum of £15.2m reflecting a 5.66% net initial yield and £1,160 per sq ft. The property is located approximately 3 minutes from Farringdon station and comprises 13,100 sq ft of Grade A office and ancillary accommodation arranged over lower ground, ground and four upper floors, complete with modern end of trip facilities including 3 showers and 20 cycle spaces. The property is multi-let to four tenants at a rent of £918,615 per

annum reflecting £70.12 per sq ft and provides a WAULT of approximately 3.0 years to expiries. It is understood that the tenant will occupy the returning space upon lease expiries. The sale signifies the third highest capital value seen this year and is another example of an owner occupier willing to pay a premium ahead of general levels of investor interest, as well as a familiar trend of institutional funds, such as Nuveen, raising capital by disposing of liquid assets.

In the smallest deal of the month, Investre acquired the freehold interest in Brick Yard, 28 Charles Square, N1. The property is located in the Shoreditch sub-market, approximately 4 minutes' walk from Old Street station and comprises a 11,733 sq ft freehold asset which was sold with a 5-year sale and leaseback to the vendor, The Ethical Property Company, at a rent of £380,000 per annum reflecting £32.39 per sq ft.

In terms of the broader macroeconomic outlook, the effects of the Bank of England's first interest rate cut remain to be seen as the City market continues to await the arrival of new opportunities to test investor appetite. Although sentiment appears to be improving, it is unclear whether sellers will look to capitalise on a lack of competition in the market, or whether the prospect of further interest rate cuts may encourage vendors to continue to wait to sell into an improved market or to re-finance at potentially lower rates. The next Bank of England Monetary Policy Committee will take place on Thursday 19th September.

Savills is currently tracking £917.1m under offer across 32 deals, indicating a relatively healthy forecast of turnover for the next month, but the arrival of fresh stock in September and October looks set to be a key factor in anticipating whether Q4 will allow for a productive end to the year, or whether the City market will head towards a record low annual turnover.

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



**£1.16bn**

Jan-Aug turnover across **49** transactions



Savills Prime City yield remains at **5.25%** for the **13th** consecutive month



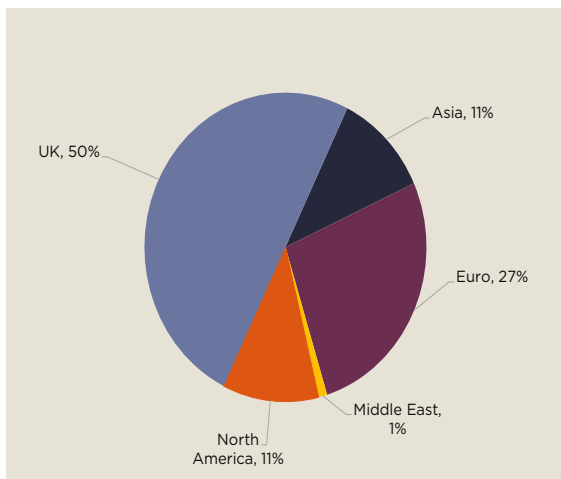
**53%** of transactions this year have been for assets below **£20m**.



**£917.1m** under offer across **32** transactions

### City investment volumes by purchaser nationality

Graph 1



Source: Savills

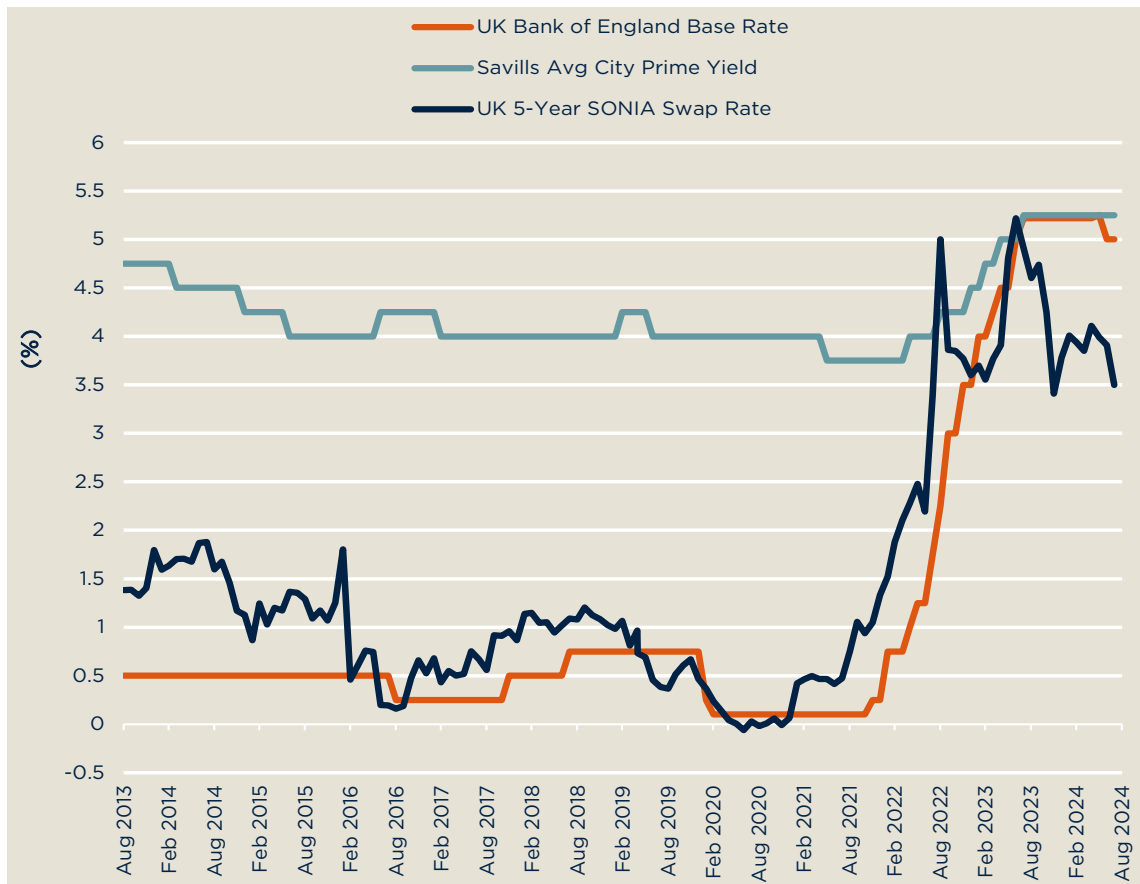
### City under-offers and deals by size-band

Graph 2



## City Yields

Graph 3



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