

# City Investment Watch



## City market awaits fresh stock as July sees first interest rate cut

July saw £177.0m of transactions across seven deals, reflecting an average lot size of just £25.3m. The month's activity mirrors the broader trend of investor activity focusing on smaller lot size ranges, principally as a result of a reduced reliance on financing. Year-to-date (YTD) turnover volumes stand at £1.09bn across 46 deals, reflecting an average lot size of £23.6m, representing a 70% fall in turnover volume based on the 5 year average, but only a 9% reduction in the number of deals. At the end of July, Savills is tracking £875.2m under offer across 25 deals.

In the largest office deal of the month, Savills, acting on behalf of Quadrant and a first-time overseas investor, acquired the long leasehold interest in 6 Gracechurch Street, EC3. Situated on the western side of Gracechurch Street, directly opposite Leadenhall Market, the property comprises 47,009 sq ft of office and retail accommodation and has undergone a rolling refurbishment programme since it was originally developed in 2003. The building is fully let to six office and two retail tenants producing a net rent of £2,617,633 per annum reflecting £57.60 per sq ft overall. The building WAULT is 7.8 years to expiries and 4.1 years to breaks. Quadrant and their overseas investor acquired the long leasehold interest (120 years at a nominal £5,000 head rent) from USS for a sum in excess of the quoting price of £37.64m reflecting a net initial yield of 6.50% and £801 per sq ft.

On behalf of RE Capital, Savills sold the freehold interest in The Ragged School, 18 Vine Hill, EC1. Developed as part of a wider site including a 153-room hotel and 9 residential apartments, The Ragged School is located approximately 7 minutes north of Farringdon station and comprises a self-contained freehold office building which completed in September 2023. The office was developed to a high specification benefitting from strong ESG credentials including BREEAM Excellent and EPC B ratings, and comprises 18,717 sq ft arranged over four floors plus a mezzanine level and rooftop terrace on the top floor. The

property is single-let to major car manufacturer Lotus Group International Limited on a 10 year lease subject to a tenant break option in the 5th year. The passing rent is £1,394,416 per annum reflecting £74.50 per sq ft overall. The freehold interest was acquired by European investor DSB Advisors for a sum of £21.0m reflecting a net initial yield of 6.22% and a capital value of £1,122 per sq ft, the second highest capital value to be seen in the City market this year.

In terms of the macroeconomic picture, with inflation falling to 2.0%, July finally saw a long-awaited interest rate cut, as the Bank of England reduced its base rate from 5.25% down to 5.00%. The Monetary Policy Committee, which took place on 31 July 2024 and saw five of the nine members vote to reduce the rate by 25 basis points, reflects the first change to the base rate since 3rd August 2023, and the first downward movement since 16 December 2021.

The market continues to see a general cautiousness from owners who are hesitant to bring assets to market and this has resulted in a dearth of new stock becoming available for buyers, exacerbating market inactivity. With ever increasing pressure on owners who have been able to extend existing finance packages we do expect to see more activity towards the end of this year as financing or building related events force owners to make a decision.

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



**£1.09bn**  
Jan-Jul turnover across **46** transactions



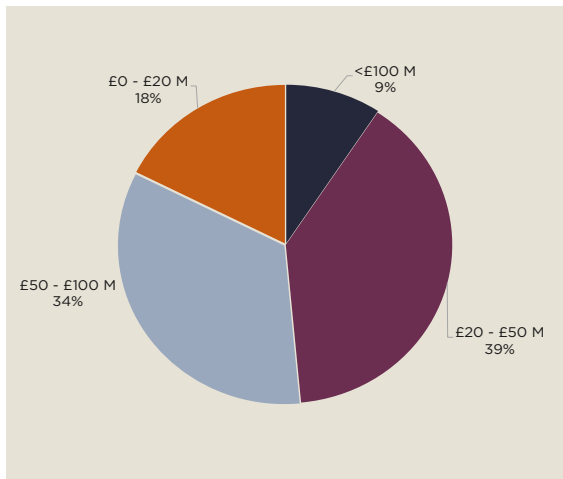
Savills Prime City yield remains at **5.25%** for the **12th** consecutive month



**52%** of transactions this year have been for assets below **£20m**.

### 2024 investment volumes by lot size

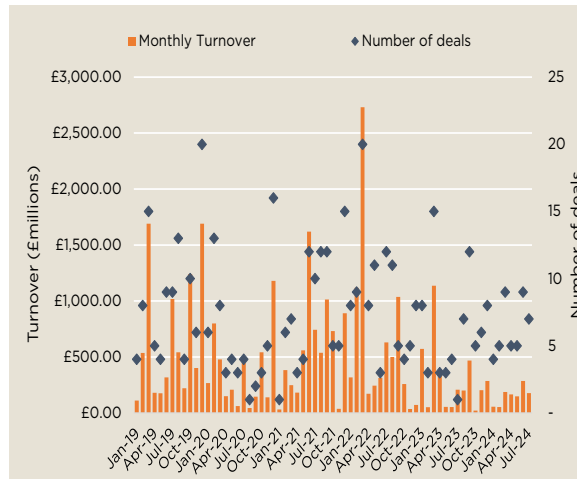
Graph 1



Source: Savills

### City monthly investment turnover

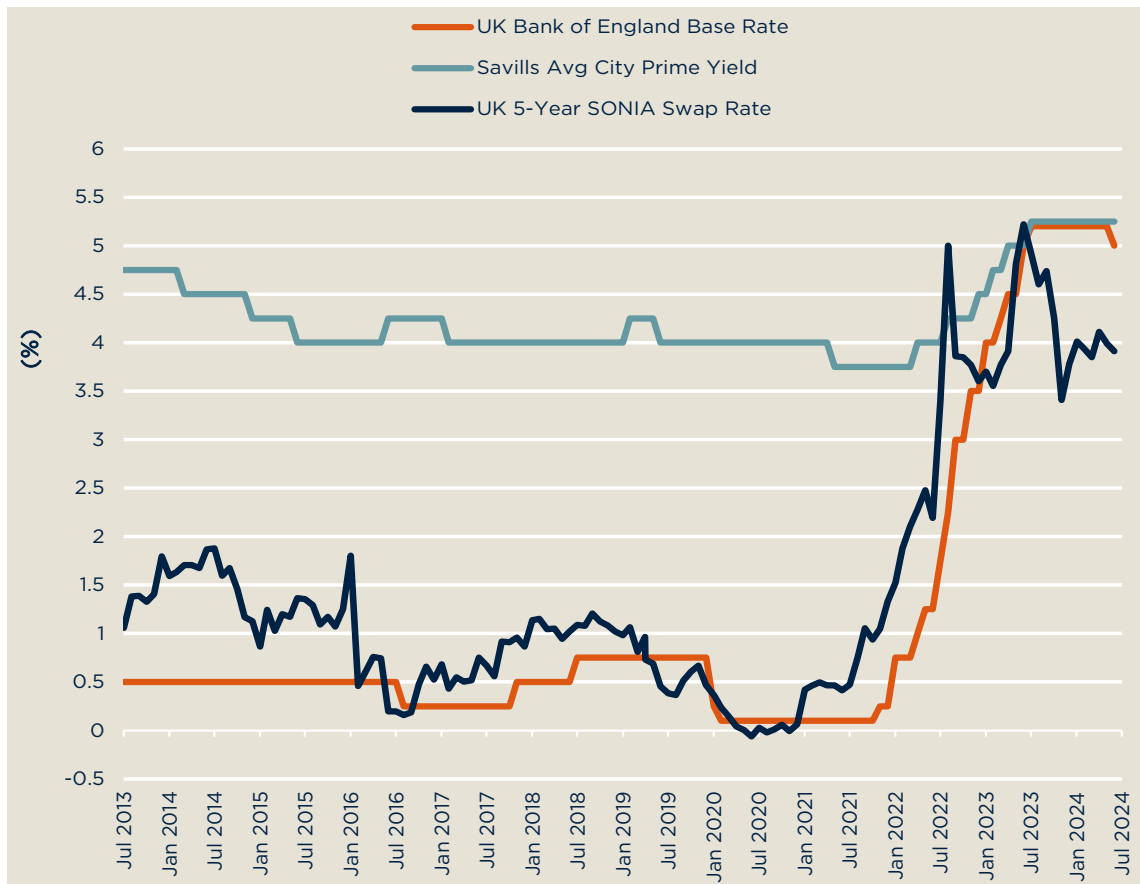
Graph 2



**£875.2m** under offer across **25** transactions

## City Yields

Graph 3



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