

# Prime Yield Guide – March 2024

Knight Frank Intelligence

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and was prepared on 06 March 2024.



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SECTOR		MAR-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	CHANGE	SENTIMENT	
	<b>High Street Retail</b> (institutional lot sizes)	Bond Street	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%		STABLE	
		Oxford Street	4.25% - 4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
		Prime Towns (Oxford, Cambridge, Winchester)	6.75%	6.75% +	7.00%	7.00%	7.00%	7.00%		STABLE
		Regional Cities (Manchester, Birmingham)	7.00%	7.00% +	7.25%	7.25%	7.25%	7.25%		STABLE
		Good Secondary (Truro, Leamington Spa, Colchester etc)	9.00% - 9.25%	9.50% - 9.75%	10.00%	10.00%	10.00%	10.00%		STABLE
	<b>Shopping Centres</b> (sustainable income)	Regional Scheme	8.00% +	8.00% +	8.00% +	8.00% +	8.25%	8.25%		STABLE
		Sub-Regional Scheme	9.00% +	9.50%	9.50% +	9.50% +	9.50% +	9.50% +		STABLE
		Local Scheme (successful)	9.75% +	10.50%	10.50% +	10.50% +	10.50% +	10.50% +		STABLE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	9.50% - 9.75%	9.75% - 10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	
	<b>Out of Town Retail</b>	Open A1 Parks	6.00%	6.00%	6.00% +	6.25%	6.25%	6.00%	-0.25%	POSITIVE
		Good Secondary Open A1 Parks	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%		STABLE
		Bulky Goods Parks	6.00%	6.00%	6.00% +	6.25%	6.25%	6.00%	-0.25%	POSITIVE
		Good Secondary Bulky Goods Parks	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%		STABLE
		Solus Open A1 (15 year income)	5.75% - 6.00%	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Solus Bulky (15 year income)	5.75% - 6.00%	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	<b>Foodstores</b>	Annual RPI Increases [NIY] (20 year income)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
		Open Market Reviews (20 year lease, 5 yearly reviews)	5.50%	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Discounters (20 years, 5 yearly indexation)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	<b>Leisure</b>	Prime Leisure Parks	7.50% +	7.50% +	7.75% - 8.00%	8.00%	8.00%	8.00%		STABLE
		Good Secondary Leisure Parks	9.00% +	9.75%	9.00%	9.00%	9.00%	9.00%		STABLE

Based on rack rented properties and disregards bond type transactions

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	Offices	City Prime (10 years)	4.75%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		STABLE
		West End: Prime Core (Mayfair & St James's)	3.75%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
		West End: Non-core (Soho & Fitzrovia)	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
		Major Regional Cities (10 years)	5.75%	6.50%	6.50%	6.50%	6.50%	6.50%		STABLE
		Major Regional Cities (5 years)	6.50% - 7.00%	7.50%	7.50%	7.50%	7.50%	7.50%		STABLE
		Secondary Regional Cities	9.00% - 9.25%	11.00% +	11.00% +	11.00% +	11.00% +	11.00% +		NEGATIVE
		South East Towns (10 years)	6.00% - 6.50%	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
		South East Towns (5 years)	7.50%	8.25%	8.25%	8.25%	8.25%	8.25%		STABLE
		Secondary South East Towns	9.25% - 9.50%	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +		NEGATIVE
		South East Business Parks (10 years)	7.00%	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
		South East Business Parks (5 years)	8.50% +	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		NEGATIVE
		Secondary South East Business Parks	9.75% +	12.50% +	12.50% +	12.50% +	12.50% +	12.50% +		NEGATIVE
		Life Sciences (Oxford, Cambridge)	4.25% - 4.50%	4.50%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%		NEGATIVE
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75%	4.75% +	4.75% - 5.00%	4.75% - 5.00%	4.75% - 5.00%	5.00%	+	STABLE
		Prime Distribution / Warehousing (15 years, OMRRs)	5.25%	5.25% +	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.50%	+	STABLE
		Secondary Distribution (10 years, OMRRs)	5.50% - 5.75%	5.75%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	6.00%	+	STABLE
		South East Estates (excluding London & Heathrow)	5.00% - 5.25%	5.00%	5.25%	5.25%	5.25%	5.25%		STABLE
		Good Modern Rest of UK Estates	5.25% - 5.50%	5.25% - 5.50%	5.50%	5.50%	5.50%	5.50%		STABLE
		Good Secondary Estates	6.50% - 7.00%	6.50% - 7.00%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%		STABLE
	Specialist Sectors	Car Showrooms (20 years with indexed uplifts & dealer covenant)	5.75%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Budget Hotels London (20 years, 5 yearly indexed reviews)	4.50%	4.75%	4.75% +	4.75% +	4.75% +	4.75% +		STABLE
		Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00%	5.25%	5.25% +	5.25% +	5.25% +	5.25% - 5.50%	+	NEGATIVE
		Student Accommodation Prime London (Direct Let)	3.75% - 4.00%	4.25%	4.25%	4.25%	4.25%	4.25%		STABLE
		Student Accommodation Prime Regional (Direct Let)	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		STABLE
		Student Accommodation Prime London (25 years, Annual indexation)	4.00%	4.25%	4.25% +	4.25% +	4.25% +	4.25% +		STABLE
		Student Accommodation Prime Regional (25 years, Annual indexation)	4.25%	4.50%	4.50% +	4.50% +	4.50% +	4.50% +		STABLE
		Healthcare (Elderly Care, NFP, 30 years, Annual indexed reviews)	4.00% - 4.25%	4.25% - 4.50%	4.50% +	4.50% +	4.50% +	4.50% - 4.75%	+	NEGATIVE
		Data Centres (Operational)	4.50%	4.75%	4.75%	4.75%	5.00%	5.00%		STABLE
		Data Centres (Leased, 15 years, Annual indexation)	4.75% +	4.75%	4.75%	4.75%	5.00%	5.00%		STABLE
Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	4.00%	4.00%	3.75%	3.75%	3.75%	3.75%		STABLE		

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## LEADING INDICATORS

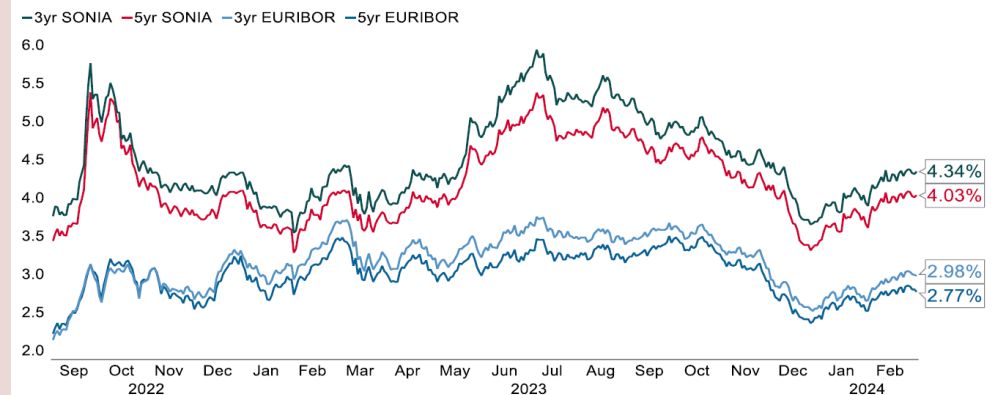
**A late 2024 election could permit a final pre-election Autumn Statement.** Betting odds suggest a 78% probability of the next general election occurring between October and December 2024. This may allow for a final pre-election Autumn Statement, which could mean fewer giveaways than anticipated on Wednesday.

**Expectations for interest rates have fluctuated since the November Autumn Statement but remain more optimistic for rate cuts.** Money market expectations for the Bank of England base rate have fluctuated since last year. Current market pricing suggests the bank rate will average 4.8% in 2024 versus 5.0% previously priced in following the Autumn Statement in November 2023.

**UK Strongest start to the year for UK company incorporations since 2019.** The number of UK company incorporations in the first seven weeks of the year totalled 127k in 2024, up +22% on the same period in 2023 and the strongest start to the year since at least 2019 when records began.

## DEBT MARKET – 6 March 2024

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

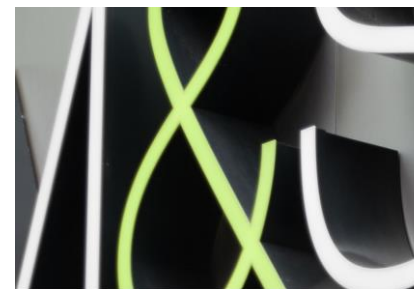
### BONDS & RATES

(01/03/2024)

MAR 2023    JAN 2024    FEB 2024    MAR 2024

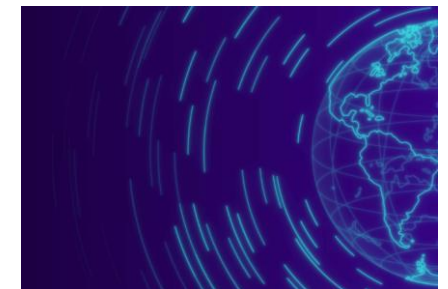
Bank of England Base Rate	4.00%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	4.31%	3.62%	3.85%	3.96%
10-year Gilt Redemption Yield	3.81%	3.83%	4.11%	4.09%
10-year Indexed Gilt Yield	0.43%	0.36%	0.65%	0.58%

## ESG



M&S Marble Arch: what have we learned?

## Intelligence Lab



Active Capital – The Report 2024

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## KEY RESEARCH



### Future Gazing – 2024

Offering a unique perspective on the outlook for the industrial and logistics market.

## Knight Frank V&A

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- Infrastructure
- Garden Centres
- Film Studios
- Serviced Offices
- Data Centres
- Life Sciences
- Income Strips
- Ground Rents
- Trading assets
- Expert Witness
- IPOs

## KEY CONTACTS

*We like questions. If you would like some property advice, or want more information about our research, we would love to hear from you.*



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