

# Prime Yield Guide – November 2023

Knight Frank Intelligence

*This yield guide is for indicative purposes only  
and was prepared on 16<sup>th</sup> November 2023.*



*Yields are reflective of income-focussed transactions of prime, stabilised institutional-grade assets. Yields are provided on a Net Initial Yield (NIY) basis assuming a rack rented property.*

|  | SECTOR           |  | NOV-22        | JUN-23        | JUL-23        | AUG-23        | SEPT-23       | OCT-23        | NOV-23        | 1 MONTH CHANGE | MARKET SENTIMENT |
|--|------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|------------------|
|  | Student Property | Prime London - Direct Let                | 3.75% +       | 4.00%         | 4.00% +       | 4.00% - 4.25% | 4.00% - 4.25% | 4.25%         | 4.25%         |                | STABLE           |
|  |                  | 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% | 5.00% - 5.25% |                | STABLE           |
|  |                  | Prime London - 25 yr lease, Annual RPI   | 3.75% - 4.00% | 4.00%         | 4.00%         | 4.00%         | 4.00% +       | 4.00% +       | 4.25%         | +0.25%         | NEGATIVE         |
|  |                  | Prime Regional - 25 yr lease, Annual RPI | 4.00% - 4.25% | 4.25%         | 4.25%         | 4.25%         | 4.25% - 4.50% | 4.25% - 4.50% | 4.50%         | +              | NEGATIVE         |
|  | Co-Living        | Prime London                             | 4.00%         | 4.00%         | 4.00% +       | 4.00% +       | 4.00% +       | 4.25%         | 4.25%         |                | STABLE           |
|  |                  | Prime Regional                           | 4.75%         | 4.75%         | 4.75%         | 4.75% +       | 4.75% +       | 5.00%         | 5.00%         |                | STABLE           |
|  | Build to Rent    | Zone 1 London Prime                      | 3.25%         | 3.25% - 3.50% | 3.50% +       | 3.60%         | 3.75%         | 3.75% +       | 3.90%         | +0.15%         | STABLE           |
|  |                  | Zone 2 London Prime                      | 3.25% - 3.50% | 3.60% +       | 3.70%         | 3.80%         | 3.90%         | 4.00%         | 4.00% +       | +              | STABLE           |
|  |                  | Zones 3-4 London Prime                   | 3.50%         | 3.70% +       | 3.80%         | 3.90%         | 4.00%         | 4.00% +       | 4.15% +       | +0.15%         | STABLE           |
|  |                  | Greater London Prime                     | 3.75%         | 3.85% - 4.00% | 4.00%         | 4.00% - 4.10% | 4.10%         | 4.10% +       | 4.25% +       | +0.15%         | STABLE           |
|  |                  | South East Prime                         | 3.75% - 4.00% | 3.85% - 4.00% | 4.00%         | 4.00% - 4.10% | 4.10%         | 4.10% +       | 4.25% +       | +0.15%         | STABLE           |
|  |                  | Tier 1 Regional Cities                   | 4.00%         | 4.00% - 4.10% | 4.10%         | 4.20%         | 4.25%         | 4.35%         | 4.50% -       | +0.15%         | STABLE           |
|  |                  | Tier 2 Regional Cities                   | 4.25% - 4.50% | 4.25% - 4.50% | 4.25% - 4.50% | 4.50%         | 4.50% +       | 4.65%         | 4.75% +       | +0.10%         | STABLE           |
|  |                  | South East – Single Family Housing       | 3.75% +       | 3.75%         | 3.75% +       | 3.75% - 4.00% | 4.00%         | 4.00% +       | 4.00% +       |                | STABLE           |
|  |                  | Regional – Single Family Housing         | 4.00% - 4.25% | 4.00% - 4.25% | 4.00% - 4.25% | 4.25% +       | 4.50%         | 4.50% +       | 4.50% +       |                | STABLE           |
|  | Seniors Housing  | Prime South East                         | 5.25%         | 5.25% +       | 5.25% +       | 5.25% +       | 5.25% +       | 5.25% +       | 5.25% +       |                | STABLE           |

*Your partners in property.*

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## KEY RESEARCH

### UK Student Market Update

Q3 2023 Knight Frank's quarterly review of the UK student market and investment trends in the UK student property sector

► Fewer than 15,000 new purpose-built student beds will be added to supply in the 2023/24 academic year, a 38% fall on the previous year's delivery and notably below the five year average before the pandemic of nearly 24,000.

**Development outlook**  
A drop in delivery is a combination of a longer-term trend of fewer new schemes being brought to the market. Just 50 new developments will be completed in 2023/24, down from 100 in 2019/20. This is the lowest number of new schemes in 10 years. The other reason for the drop is that the number of new schemes in the pipeline has fallen significantly since 2019/20. The number of new schemes in the pipeline has fallen significantly since 2019/20. The number of new schemes in the pipeline has fallen significantly since 2019/20.



**Student numbers rising**  
The latest student population data from HESA shows that 4,400,000 high school leavers entered higher education in 2023/24, a rise on 2022/23. This is the highest number of students entering higher education since 2019/20. The number of students entering higher education since 2019/20.



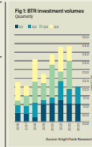
**The pipeline**  
Clearly, supply is expected to increase in the coming years. Currently, the total pipeline is around 12,000 beds across the UK, with 25% of this under construction and a further 40% with full planning permission granted. London has the largest pipeline, followed by Nottingham, Leeds, Bristol and Birmingham.

### UK BTR market update

Q3 2023 Knight Frank's quarterly review of the UK Build to Rent market and investment trends in the UK BTR market

► Despite a challenging backdrop, investment in UK Build to Rent (BTR) has been robust in H1 2023, supported by an uptick in single family housing (SFH) deals. Meanwhile, supply shortages continue to support strong rental growth.

**Investment volumes reflect strength of interest in the sector**  
Investment into the UK Build to Rent market for Q3 2023 was the second highest of 2023, rising year-on-year compared to the same quarter in 2022. The total value of UK BTR investment in the third quarter of 2023 was £1.1bn, a 10% increase on the £1.0bn invested in the same quarter of 2022. The number of deals in the third quarter of 2023 was 10, a 10% increase on the 9 deals in the same quarter of 2022.



**Notable growth in single family housing deals**  
Knight Frank Housing (KFH) announced the first of investment in UK Build to Rent (BTR) in H1 2023, a 10% increase on the £1.0bn invested in the same quarter of 2022. The number of deals in the third quarter of 2023 was 10, a 10% increase on the 9 deals in the same quarter of 2022.



**UK capital investment**  
UK investors have been the most active in terms of spend in the UK, accounting for 45% of total investment. UK firms have been the most active in terms of spend in the UK, accounting for 45% of total investment. UK firms have been the most active in terms of spend in the UK, accounting for 45% of total investment.

## KEY CONTACTS VALUATIONS / RESEARCH

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



### John-Paul Stichbury

Partner – Valuation & Advisory – Build to Rent  
+44 20 3866 8036  
[John-Paul.Stichbury@KnightFrank.com](mailto:John-Paul.Stichbury@KnightFrank.com)



### David Shapland

Partner – Valuation & Advisory - Head of Build to Rent  
+44 20 7861 5455  
[David.Shapland@KnightFrank.com](mailto:David.Shapland@KnightFrank.com)



### Neil Armstrong

Partner – Valuation & Advisory - Head of Student  
+44 20 7861 5332  
[Neil.Armstrong@KnightFrank.com](mailto:Neil.Armstrong@KnightFrank.com)



### Sarah Jones

Partner – Valuation & Advisory – Student Property  
+44 20 7861 1277  
[Sarah.Jones@KnightFrank.com](mailto:Sarah.Jones@KnightFrank.com)



### Peter Youngs

Partner – Valuation & Advisory - Head of Seniors Housing  
+44 20 7861 1656  
[Peter.Youngs@KnightFrank.com](mailto:Peter.Youngs@KnightFrank.com)



### Oliver Knight

Partner – Research - Head of Residential Development  
+44 20 7861 5134  
[Oliver.Knight@KnightFrank.com](mailto:Oliver.Knight@KnightFrank.com)

## 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 CAPITAL ADVISORY



### Lisa Attenborough

Partner – KFCA - Head of Debt Advisory  
+44 20 3909 6846  
[Lisa.Attenborough@KnightFrank.com](mailto:Lisa.Attenborough@KnightFrank.com)



### Emma Winning

Partner – KFCA - Head of Equity Advisory  
+44 20 7861 1509  
[Emma.Winning@KnightFrank.com](mailto:Emma.Winning@KnightFrank.com)



### Josephine Jones

Partner – KFCA – Strategic Capital  
+44 207 861 1027  
[Josephine.Jones@KnightFrank.com](mailto:Josephine.Jones@KnightFrank.com)

Knight Frank Research  
Reports are available at  
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