

Prime Yield Guide – April 2022

Knight Frank Intelligence

*This yield guide is for indicative purposes only
and was prepared on 19 April 2022.*



Based on rack rented properties and disregards bond type transactions

SECTOR		APR -21	DEC -21	MAR -22	APR -22	CHANGE OVER 1 M	MARKET SENTIMENT	
	High Street Retail	Bond Street	2.75% +	2.75%	2.75%	2.75%	STABLE	
		Oxford Street	3.50% +	3.50% +	3.50%	3.50%	STABLE	
		Prime Shops (Oxford, Cambridge, Winchester)	6.50%	6.50%	6.25%	6.25%	STABLE	
		Regional Cities (Manchester, Birmingham)	6.50% +	6.50% +	6.50% +	6.50%	-	STABLE
		Good Secondary (Truro, Leamington Spa, Colchester etc)	8.25% - 8.50%	8.25% - 8.50%	8.25% - 8.50%	8.25% - 8.50%		NEGATIVE
	Shopping Centres (sustainable income)	Regional Scheme	8.00%	8.50%	7.50%	7.50%	POSITIVE	
		Sub-Regional Scheme	9.00%	9.00%	8.50%	8.50%	STABLE	
		Local Scheme (successful)	10.00%	10.00%	9.00%	9.00%	STABLE	
		Neighbourhood Scheme (assumes <25% of income from supermarket)	9.50% - 9.75% +	9.50% - 9.75% +	9.00% - 9.25%	9.00% - 9.25%		STABLE
	Out of Town Retail	Open A1 (essential retailers)	7.00%	5.50% - 5.75%	5.25% -	5.00% -	-0.25%	POSITIVE
		Secondary Open A1 Parks	8.25% - 8.50%	7.00%	6.25% - 6.50%	6.00% - 6.25%	-0.25%	POSITIVE
		Bulky Goods Parks	7.00%	5.50% - 5.75%	5.25%	5.00% -	-0.25%	POSITIVE
		Secondary Bulky Goods Parks	8.25% - 8.50%	7.00%	6.25% - 6.50%	6.00% - 6.25%	-0.25%	POSITIVE
		Solus Open A1 (15 year income)	6.00%	5.00%	4.75%	4.75% -	-	POSITIVE
		Solus Bulky (15 year income)	6.25%	5.00%	4.75%	4.75% -	-	POSITIVE
	Major Foodstores	Annual RPI Increases [NIY]	3.50% - 3.75%	3.50%	3.50%	3.25% - 3.50%	-	POSITIVE
		Open Market Reviews	4.50% -	4.00%	4.00%	4.00%		POSITIVE
	Leisure	Prime Leisure Parks	7.00% +	7.00% +	7.00% +	7.00% +	STABLE	
		Secondary Leisure Parks	8.00% +	8.00% +	8.00% +	8.00% +	STABLE	

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	Offices (Grade A)	City Prime (Single let, 10 years)	4.00% - 4.25%	3.75% - 4.00%	3.75%	3.75%	POSITIVE	
		West End: Prime (Mayfair & St James's)	3.50% - 3.75%	3.25% - 3.50%	3.25%	3.25%	POSITIVE	
		West End: Non-core (Soho & Fitzrovia)	4.00% - 4.25%	4.00% - 4.25%	3.75% - 4.00%	3.75% - 4.00%	POSITIVE	
		Major Regional Cities (Single let, 15 years)	5.00%	5.00%	4.75% - 5.00%	4.50% - 5.00%	-	POSITIVE
		Major Regional Cities (Multi-let, 5 year WAULT)	5.75%	5.75% -	5.75% -	5.25% - 5.50%	-0.25%	POSITIVE
		South East Towns (Single let, 15 years)	5.25% +	5.25%	5.00% - 5.25%	5.00% - 5.25%		POSITIVE
		South East Towns (Multi-let, 5 year WAULT)	6.25%	6.50%	6.50%	6.50%		STABLE
		South East Business Parks (Single let, 15 years)	5.25% +	5.25% +	5.25% +	5.25% +		STABLE
		South East Business Parks (Multi-let, 5 year WAULT)	6.75% +	6.75% +	6.75% +	6.75% +		STABLE
	Warehouse & Industrial Space	Prime Distribution/Warehousing (20 year income [NIY] with fixed/indexed uplifts)	3.50% -	3.00%	3.00%	3.00%	POSITIVE	
		Prime Distribution/Warehousing (15 year income, OMRRs)	4.00% -	3.50% - 3.75%	3.50%	3.50%	POSITIVE	
		Secondary Distribution (10 year income, OMRRs)	4.50%	4.00% - 4.25%	4.00%	4.00%	POSITIVE	
		South East Estate (excluding London & Heathrow)	4.00%	3.25% - 3.50%	3.25% - 3.50%	3.25% - 3.50%	POSITIVE	
		Good Modern Rest of UK Estate	4.50%	3.50% - 3.75%	3.50% - 3.75%	3.50% - 3.75%	POSITIVE	
		Secondary Estates	5.75%	5.00% - 5.25%	4.75% - 5.25%	4.75% - 5.25%	POSITIVE	
	Specialist Sectors	Car Showrooms (20 years with fixed uplifts & dealer covenant)	5.50%	5.00%	5.00%	5.00%	POSITIVE	
		Budget Hotels London (5 yearly Fixed / RPI uplifts 20 year+ term, strong covenant)	3.50%	3.50%	3.25% - 3.50%	3.25% - 3.50%	POSITIVE	
		Budget Hotels Regional (5 yearly Fixed / RPI uplifts 20 year+ term, strong covenant)	4.00%	4.00%	4.00%	4.00%	POSITIVE	
		Student Accommodation Prime London (25 years, Annual RPI)	3.50%	3.25%	3.00% - 3.25%	3.00%	-	POSITIVE
		Student Accommodation Prime Regional (25 years, Annual RPI)	3.75%	3.50%	3.25% - 3.50%	3.25%	-	POSITIVE
		Healthcare (Elderly Care, 30 years, 5 yearly indexed linked reviews)	3.50%	3.50%	3.50%	3.25% - 3.50%	-	POSITIVE
		Data Centres (20 years, Annual Indexation)	4.50%	4.00%	4.00%	4.00%	POSITIVE	
		Income Strip (50 years, Annual RPI, Annuity Grade Covenant)	2.25%	2.00%	2.00%	2.00%	POSITIVE	

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LEADING INDICATORS

From inflation to stagflation? UK inflation reached its highest level since 1992 at 7.0% in the year to March, up from 6.2% in February. There was a similar story in the US, with inflation topping 8.5%, its strongest level in four decades. With inflation necessitating higher interest rates, there has been greater focus on the potential for recession. Goldman Sachs recently estimated a 35% chance of a US recession in the next two years. For balance, other investment banks remain more optimistic. However, it is significant that the potential for US recession in the medium term is now a debate.

Global economic outlook eases. The World Bank has downgraded its global economic outlook, forecasting GDP to grow 3.2% in 2022, down from its 4.1% forecast in January. A combination of the Ukraine/Russia conflict and surging food and energy prices have contributed to this downward revision.

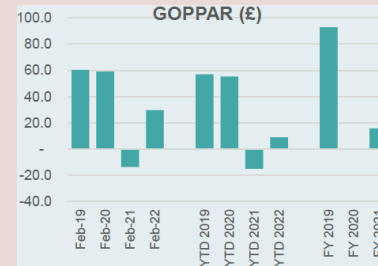
London Calling. The capital is seeing a resurgence in passenger numbers, with car and bicycle journeys surpassing their pre-pandemic levels, and tube and bus journeys at 78% and 82% of their pre-pandemic activity. Meanwhile, In March, London Heathrow reported its highest passenger numbers since the pandemic began. We are seeing this increased level of activity coincide with robust occupational demand for office product - take-up reached 2.65 million sq ft in Q1 2022, a 119% increase compared to Q1 2021.

SECTOR SNAPSHOT – UK HOTEL MARKET

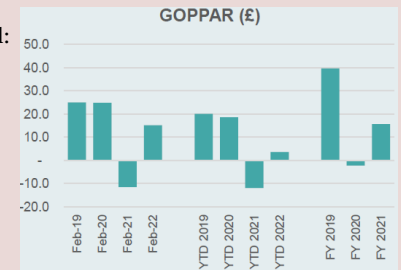
Positive sentiment despite challenges ahead for the UK Hotel Market. Both London and Regional UK witnessed a strong recovery in occupancy performance, with month-on-month growth of occupancy in February averaging 20 percentage points.

Whilst the UK hotel market's top-line revenue performance continues to recover following the setback of Omicron - still with RevPAR around 20% below the level recorded in November 2021 - the cost-of-living crisis and rising inflation, made worse as a result of Russia's invasion of Ukraine, risks prolonging the route to a full recovery.

London:



Regional:



BONDS & RATES (13/04/2022)	APR 2021	DEC 2021	MAR 2022	APR 2022
SONIA Rate	0.086%	0.045%	0.445%	0.691%
Bank of England Base Rate	0.10%	0.25%	0.50%	0.75%
5-year swap rates	0.683%	1.102%	1.797%	2.305%
10-year gilts redemption yield	0.79%	0.73%	1.34%	1.84%

ESG

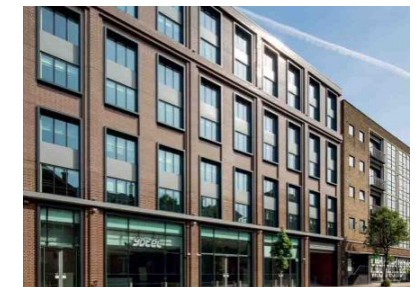
What is LEED green building certification?



Targeting green buildings with accurate and up to date credentials to meet occupier requirements is made easier with LEED, but how does it work?

NEW RESEARCH

UK Hotel Capital Markets 2021 Investment Review



[Download the full report now.](#)

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KEY RESEARCH



This week we look at England's wine boom and how it is impacting the land market. English sparkling wine in particular has been portrayed as one of the wine world's big success stories. While it currently only represents a fraction of global sales, sales are growing. There are now over 700 vineyards in England and Wales.

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KEY CONTACTS

We like questions, if you have one about our research, or would like some property advice, we would love to hear from you.



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