

Prime Yield Guide – December 2023

Knight Frank Intelligence

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SECTOR		DEC-22	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	CHANGE	SENTIMENT	
	Offices	City Prime (10 years)	4.50% - 4.75%	5.25%	5.25% +	5.25% +	5.25% - 5.50%	5.25% - 5.50%		NEGATIVE
		West End: Prime Core (Mayfair & St James's)	3.50% - 3.75%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
		West End: Non-core (Soho & Fitzrovia)	4.25% - 4.50%	4.50% - 4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
		Major Regional Cities (10 years)	5.75% - 6.00%	6.00% +	6.25%	6.25% - 6.50%	6.50%	6.50%		NEGATIVE
		Major Regional Cities (5 years)	6.50% - 7.00%	7.00% +	7.25% +	7.50% +	7.50%	7.50%		NEGATIVE
		Secondary Regional Cities	8.50% - 9.00%	10.00% +	10.50% +	11.00% +	11.00% +	11.00% +		NEGATIVE
		South East Towns (10 years)	6.00% - 6.50%	6.50% - 7.00%	7.00% +	7.25% +	7.25%	7.25%		NEGATIVE
		South East Towns (5 years)	7.00% - 7.50%	8.00% +	8.25% +	8.50% +	8.25%	8.25%		NEGATIVE
		Secondary South East Towns	8.75% - 9.25%	10.50% +	11.00% +	11.50% +	11.50% +	11.50% +		NEGATIVE
		South East Business Parks (10 years)	6.75% - 7.00%	7.50% +	7.75% +	8.00% +	8.00% +	8.00% +		NEGATIVE
		South East Business Parks (5 years)	7.75% - 8.00%	9.50% +	10.00% +	10.50% +	10.50% +	10.50% +		NEGATIVE
		Secondary South East Business Parks	9.00% +	11.00% +	12.00% +	12.50% +	12.50% +	12.50% +		NEGATIVE
Life Sciences (Oxford, Cambridge)	4.25%	4.50%	4.50%	4.50%	4.50%	4.50% - 4.75%	+	NEGATIVE		
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75% - 5.00%	4.75%	4.75% +	4.75% +	4.75% +	4.75% - 5.00%	+	NEGATIVE
		Prime Distribution / Warehousing (15 years, OMRRs)	5.25% - 5.50%	5.25%	5.25% +	5.25% +	5.25% +	5.25% - 5.50%	+	NEGATIVE
		Secondary Distribution (10 years, OMRRs)	5.50% - 6.00%	5.50% - 5.75%	5.75%	5.75%	5.75%	5.75% - 6.00%	+	NEGATIVE
		South East Estates (excluding London & Heathrow)	5.00% - 5.50%	5.00%	5.00%	5.00%	5.00%	5.25%	+0.25%	NEGATIVE
		Good Modern Rest of UK Estates	5.25% - 5.75%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.50%	+	NEGATIVE
		Good Secondary Estates	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.75% - 7.25%	+0.25%	NEGATIVE
	Specialist Sectors	Car Showrooms (20 years with indexed uplifts & dealer covenant)	5.75%	5.75%	5.75%	6.00%	6.00%	6.00%		STABLE
		Budget Hotels London (20 years, 5 yearly indexed reviews)	4.50% - 4.75%	4.50%	4.50% +	4.50% - 4.75%	4.75%	4.75% +	+	NEGATIVE
		Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00% - 5.25%	5.00%	5.00%	5.00%	5.25%	5.25% +	+	NEGATIVE
		Student Accommodation Prime London (Direct Let)	3.75% - 4.00%	4.00% - 4.25%	4.00% - 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%	4.00%	4.00% +	4.00% +	4.25%	4.25% +	+	NEGATIVE
		Student Accommodation Prime Regional (25 years, Annual indexation)	4.25% - 4.50%	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.50%	4.50% +	+	NEGATIVE
		Healthcare (Elderly Care, 30 years, Annual indexed reviews)	4.00% - 4.25%	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.50% +	+	NEGATIVE
		Data Centres (Operational)	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
		Data Centres (Leased, 15 years, Annual indexation)	4.25% +	5.00%	4.75%	4.75%	4.75%	4.75%		STABLE
Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	3.75% - 4.00%	4.00%	4.00%	4.00%	4.00%	3.75%	-0.25%	POSITIVE		

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SECTOR		NOV-22	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	CHANGE	SENTIMENT	
	High Street Retail (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%	6.75%	6.75% +	6.75% +	7.00%	+0.25%	NEGATIVE
		Regional Cities (Manchester, Birmingham)	7.00% +	7.00%	7.00%	7.00% +	7.00% +	7.25%	+0.25%	NEGATIVE
		Good Secondary (Truro, Leamington Spa, Colchester etc)	9.00% - 9.25%	9.25%	9.50%	9.50% +	9.50% - 9.75%	10.00%	+0.25%	NEGATIVE
	Shopping Centres (sustainable income)	Regional Scheme	8.00%	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
		Sub-Regional Scheme	9.00% +	9.00% +	9.00% +	9.50%	9.50%	9.50% +	+	NEGATIVE
		Local Scheme (successful)	9.75% +	10.00%	10.00% +	10.50%	10.50%	10.50% +	+	NEGATIVE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	9.50% - 9.75%	9.75% - 10.00%	9.75% - 10.00%	9.75% - 10.00%	9.75% - 10.00%	10.00%	+	NEGATIVE
	Out of Town Retail	Open A1 Parks	6.00% +	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00% +	+	NEGATIVE
		Good Secondary Open A1 Parks	7.25% +	7.50% - 7.75%	7.75%	7.75%	8.00%	8.00%		STABLE
		Bulky Goods Parks	6.00% +	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00% +	+	NEGATIVE
		Good Secondary Bulky Goods Parks	7.25% +	7.50% - 7.75%	7.75%	7.75%	8.00%	8.00%		STABLE
		Solus Open A1 (15 year income)	5.75% - 6.00%	5.75% +	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	6.00%	+	STABLE
		Solus Bulky (15 year income)	5.75% - 6.00%	5.75% +	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	6.00%	+	STABLE
	Foodstores	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%	5.75% +	5.75% - 6.00%	5.75% - 6.00%	6.00%	+	NEGATIVE
		Discounters (20 years, 5 yearly indexation)	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Leisure	Prime Leisure Parks	7.50% +	7.50% +	7.50% +	7.50% +	7.50% +	7.75% - 8.00%	+0.25%	NEGATIVE
		Good Secondary Leisure Parks	9.00% +	9.25%	9.50%	9.75%	9.75%	9.00%	-0.75%	NEGATIVE

Based on rack rented properties and disregards bond type transactions

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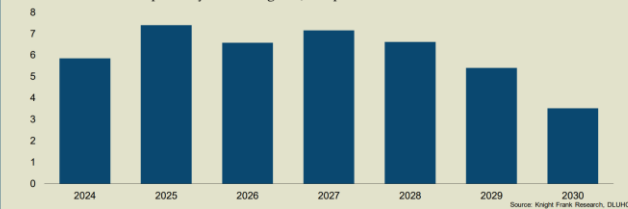
LEADING INDICATORS

65%

Of the c.64m sq ft of lease expiries due for London offices between 2023 and 2030, 65% are for offices with an EPC rating C-G.

Redevelopment on the horizon? 65% of office lease expiries due between 2023 – 2030, are for buildings with an EPC rating C - G

London office lease expiries by EPC rating C-G, m sq ft

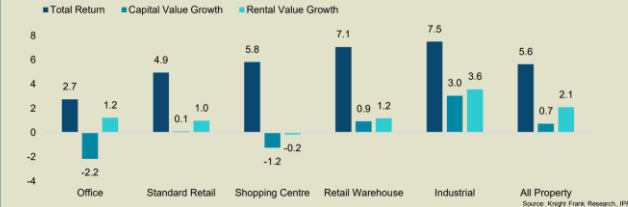


+5.6%

Per annum UK All Property total return forecast between 2023 – 2027, according to the November 2023 IPF Forecasts. During the same period, capital values are expected to grow by +0.7% p.a and market rents by +2.1% p.a.

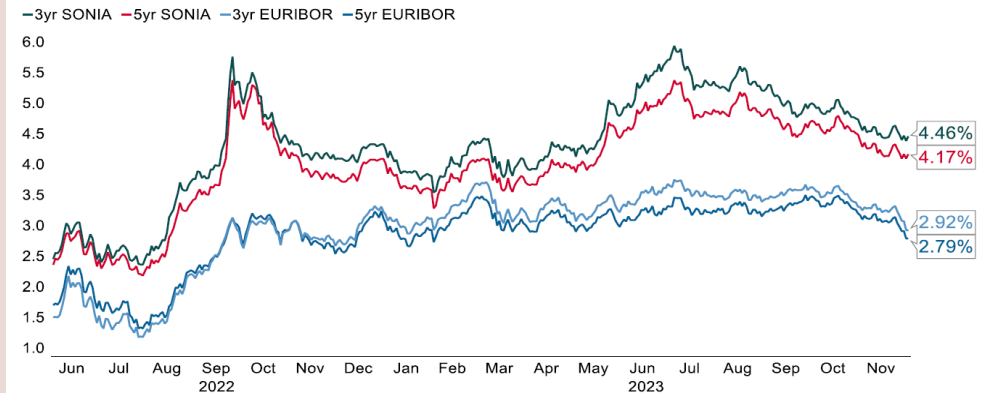
The industrial sector is forecast to achieve the strongest five-year returns, capital growth and rental growth

November 2023 UK CRE IPF Forecasts, 2023 – 27, % per annum



DEBT MARKET – 4 December 2023

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES

(01/12/2023)

DEC 2022 OCT 2023 NOV 2023 DEC 2023

SONIA Rate	2.928%	5.187%	5.187%	5.189%
Bank of England Base Rate	3.00%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	4.014%	4.807%	4.563%	4.338%
10-year Gilt Redemption Yield	3.11%	4.51%	4.41%	4.24%

ESG



Achieving Sustainability in Life Sciences

Life Sciences must overcome major hurdles on its path to greater sustainability.

Intelligence Lab



UK Retail: Foodstores - A Feeding Frenzy

Our latest exceedingly deep-dive, this time into the UK supermarket sector.

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KEY RESEARCH



Data Centres – The Q3 2023 MENA Report

The foundations are in place for data centre growth in the Middle East and North African markets. It is not a case of 'if' but 'when'.

Knight Frank V&A

Did you know

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- Infrastructure
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- 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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