

# Prime Yield Guide – February 2024

Knight Frank Intelligence

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SECTOR		FEB-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	CHANGE	SENTIMENT	
	Offices	City Prime (10 years)	4.75%	5.25% +	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% - 6.00%	6.25% - 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	8.50% - 9.00%	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)	7.00% - 7.50%	8.50% +	8.25%	8.25%	8.25%	8.25%		STABLE
		Secondary South East Towns	8.75% - 9.25%	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +		NEGATIVE
		South East Business Parks (10 years)	6.75% - 7.00%	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
		South East Business Parks (5 years)	7.75% - 8.00%	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		NEGATIVE
		Secondary South East Business Parks	9.00% +	12.50% +	12.50% +	12.50% +	12.50% +	12.50% +		NEGATIVE
Life Sciences (Oxford, Cambridge)	4.25% - 4.50%	4.50%	4.50%	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% - 5.00%	4.75% +	4.75% +	4.75% - 5.00%	4.75% - 5.00%	4.75% - 5.00%		STABLE
		Prime Distribution / Warehousing (15 years, OMRRs)	5.25% - 5.50%	5.25% +	5.25% +	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		STABLE
		Secondary Distribution (10 years, OMRRs)	5.50% - 6.00%	5.75%	5.75%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
		South East Estates (excluding London & Heathrow)	5.00% - 5.50%	5.00%	5.00%	5.25%	5.25%	5.25%		STABLE
		Good Modern Rest of UK Estates	5.25% - 5.75%	5.25% - 5.50%	5.25% - 5.50%	5.50%	5.50%	5.50%		STABLE
		Good Secondary Estates	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	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%	4.50% - 4.75%	4.75%	4.75% +	4.75% +	4.75% +		STABLE
		Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00% - 5.25%	5.00%	5.25%	5.25% +	5.25% +	5.25% +		STABLE
		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%	4.00% +	4.25%	4.25% +	4.25% +	4.25% +		STABLE
		Student Accommodation Prime Regional (25 years, Annual indexation)	4.25% - 4.50%	4.25% - 4.50%	4.50%	4.50% +	4.50% +	4.50% +		STABLE
		Healthcare (Elderly Care, 30 years, Annual indexed reviews)	4.00% - 4.25%	4.25% - 4.50%	4.25% - 4.50%	4.50% +	4.50% +	4.50% +		STABLE
		Data Centres (Operational)	4.00%	4.75%	4.75%	4.75%	4.75%	5.00%	+0.25%	STABLE
		Data Centres (Leased, 15 years, Annual indexation)	4.25% +	4.75%	4.75%	4.75%	4.75%	5.00%	+0.25%	STABLE
Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	4.00%	4.00%	4.00%	3.75%	3.75%	3.75%		STABLE		

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SECTOR		FEB-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-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% +	6.75% +	7.00%	7.00%	7.00%		STABLE
		Regional Cities (Manchester, Birmingham)	7.00% +	7.00% +	7.00% +	7.25%	7.25%	7.25%		STABLE
		Good Secondary (Truro, Leamington Spa, Colchester etc)	9.00% - 9.25%	9.50% +	9.50% - 9.75%	10.00%	10.00%	10.00%		STABLE
	<b>Shopping Centres</b> (sustainable income)	Regional Scheme	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +	8.25%	+0.25%	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%	9.75% - 10.00%	10.00%	10.00%	10.00%		STABLE
	<b>Out of Town Retail</b>	Open A1 Parks	6.00% +	6.00%	6.00%	6.00% +	6.25%	6.25%		STABLE
		Good Secondary Open A1 Parks	7.50% +	7.75%	8.00%	8.00%	8.00%	8.00%		STABLE
		Bulky Goods Parks	6.00% +	6.00%	6.00%	6.00% +	6.25%	6.25%		STABLE
		Good Secondary Bulky Goods Parks	7.50% +	7.75%	8.00%	8.00%	8.00%	8.00%		STABLE
		Solus Open A1 (15 year income)	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	6.00%	6.00%	6.00%		STABLE
		Solus Bulky (15 year income)	5.75% - 6.00%	5.75% - 6.00%	5.75% - 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%	5.75% - 6.00%	6.00%	6.00%	6.00%		STABLE
		Discounters (20 years, 5 yearly indexation)	4.50%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	<b>Leisure</b>	Prime Leisure Parks	7.50% +	7.50% +	7.50% +	7.75% - 8.00%	8.00%	8.00%		STABLE
		Good Secondary Leisure Parks	9.00% +	9.75%	9.75%	9.00%	9.00%	9.00%		STABLE

Based on rack rented properties and disregards bond type transactions

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## LEADING INDICATORS

**UK optimism climbs as the services sector gains momentum?** The Ipsos poll of economic optimism for the next 12 months has improved to -26 in January, its highest level since November 2021. Meanwhile, a similar YouGov UK Consumer Confidence poll listed to a 23-month high in January.

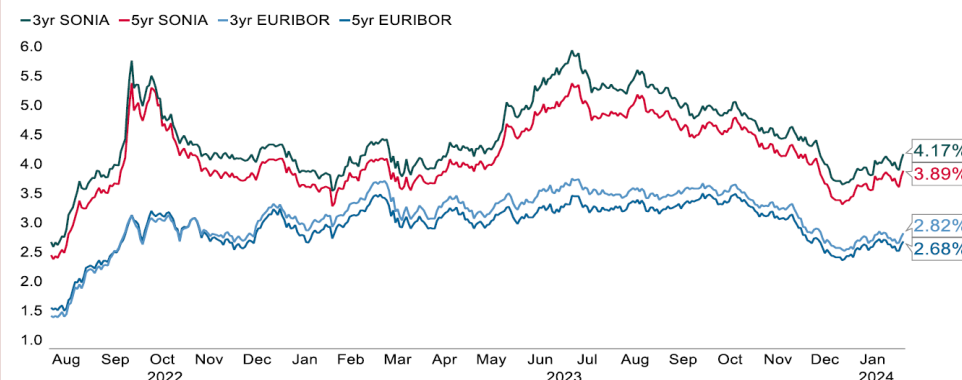
**UK services activity rises at its fastest pace since May 2023.** The UK Services PMI increased to 54.3 in January, from 53.4 in the month prior, and beating preliminary estimates of 53.8. This was its strongest growth rate in either months.

**UK CPI Inflation.** The Bank of England forecasts UK inflation to fall to its 2% target in Q2 2024 (compared to its previous forecast of Q4 2025), but to rise again in Q3 2024 and remain above the 2% target until the end of 2026.

The **forward curve** has moved meaningfully **downwards** since the last quarter of 2023, with SONIA swap rates now coming in **c.110bps lower** than where they were in October 2023.

## DEBT MARKET – 5 February 2023

SONIA/EURIBOR Swap Rates (3/5 Year)

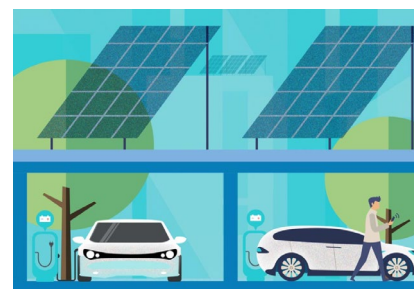


Source: Macrobond, ICAP

## BONDS & RATES (05/02/2024)

	FEB 2023	DEC 2023	JAN 2024	FEB 2024
Bank of England Base Rate	4.00%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	3.48%	4.01%	3.62%	3.85%
10-year Gilt Redemption Yield	3.17%	4.41%	3.83%	4.11%
10-year Indexed Gilt Yield	0.08%	0.66%	0.36%	0.65%

## ESG



The potential solar photovoltaics (PV) energy generation opportunities for the UK from car parks and rooftops.

## Intelligence Lab



The market has become increasingly polarised.

**What drives leasing out-performance?**

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## KEY RESEARCH



UK Cities: 2024 Expectations

## Knight Frank V&A

### Did you know

In addition to valuing assets in the main property sectors and having award winning teams in the Healthcare, Student and Automotive sectors, Knight Frank also has expertise in :

- Waste and Energy
- 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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