

Prime Yield Guide – January 2024

Knight Frank Intelligence

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SECTOR		JAN-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	CHANGE	SENTIMENT
	Offices	City Prime (10 years)	4.75%	5.25% +	5.25% +	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	NEGATIVE
		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%	6.25% - 6.50%	6.50%	6.50%	6.50%	STABLE
		Major Regional Cities (5 years)	6.50% - 7.00%	7.25% +	7.50% +	7.50%	7.50%	7.50%	STABLE
		Secondary Regional Cities	8.50% - 9.00%	10.50% +	11.00% +	11.00% +	11.00% +	11.00% +	NEGATIVE
		South East Towns (10 years)	6.00% - 6.50%	7.00% +	7.25% +	7.25%	7.25%	7.25%	STABLE
		South East Towns (5 years)	7.00% - 7.50%	8.25% +	8.50% +	8.25%	8.25%	8.25%	STABLE
		Secondary South East Towns	8.75% - 9.25%	11.00% +	11.50% +	11.50% +	11.50% +	11.50% +	NEGATIVE
		South East Business Parks (10 years)	6.75% - 7.00%	7.75% +	8.00% +	8.00% +	8.00% +	8.00% +	NEGATIVE
		South East Business Parks (5 years)	7.75% - 8.00%	10.00% +	10.50% +	10.50% +	10.50% +	10.50% +	NEGATIVE
		Secondary South East Business Parks	9.00% +	12.00% +	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%	NEGATIVE		
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75% - 5.00%	4.75% +	4.75% +	4.75% +	4.75% - 5.00%	4.75% - 5.00%	NEGATIVE
		Prime Distribution / Warehousing (15 years, OMRRs)	5.25% - 5.50%	5.25% +	5.25% +	5.25% +	5.25% - 5.50%	5.25% - 5.50%	NEGATIVE
		Secondary Distribution (10 years, OMRRs)	5.50% - 6.00%	5.75%	5.75%	5.75%	5.75% - 6.00%	5.75% - 6.00%	NEGATIVE
		South East Estates (excluding London & Heathrow)	5.00% - 5.50%	5.00%	5.00%	5.00%	5.25%	5.25%	NEGATIVE
		Good Modern Rest of UK Estates	5.25% - 5.75%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.50%	5.50%	NEGATIVE
		Good Secondary Estates	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.75% - 7.25%	6.75% - 7.25%	NEGATIVE
	Specialist Sectors	Car Showrooms (20 years with indexed uplifts & dealer covenant)	5.75%	5.75%	6.00%	6.00%	6.00%	6.00%	STABLE
		Budget Hotels London (20 years, 5 yearly indexed reviews)	4.50% - 4.75%	4.50% +	4.50% - 4.75%	4.75%	4.75% +	4.75% +	NEGATIVE
		Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00% - 5.25%	5.00%	5.00%	5.25%	5.25% +	5.25% +	NEGATIVE
		Student Accommodation Prime London (Direct Let)	3.75% - 4.00%	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% +	4.00% +	4.25%	4.25% +	4.25% +	NEGATIVE
		Student Accommodation Prime Regional (25 years, Annual indexation)	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	4.50%	4.50% +	4.50% +	NEGATIVE
		Healthcare (Elderly Care, 30 years, Annual indexed reviews)	4.00% - 4.25%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%	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% +	4.75%	4.75%	4.75%	4.75%	4.75%	STABLE
Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	4.00%	4.00%	4.00%	4.00%	3.75%	3.75%	POSITIVE		

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SECTOR		JAN-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	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% +	7.00%	7.00%		STABLE
		Regional Cities (Manchester, Birmingham)	7.00% +	7.00%	7.00% +	7.00% +	7.25%	7.25%		STABLE
		Good Secondary (Truro, Leamington Spa, Colchester etc)	9.00% - 9.25%	9.50%	9.50% +	9.50% - 9.75%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE	
		Sub-Regional Scheme	9.00% +	9.00% +	9.50%	9.50%	9.50% +	9.50% +		NEGATIVE
		Local Scheme (successful)	9.75% +	10.00% +	10.50%	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%	10.00%	10.00%		NEGATIVE
	Out of Town Retail	Open A1 Parks	6.00% +	6.00%	6.00%	6.00%	6.00% +	6.25%	+0.25%	STABLE
		Good Secondary Open A1 Parks	7.50% +	7.75%	7.75%	8.00%	8.00%	8.00%		STABLE
		Bulky Goods Parks	6.00% +	6.00%	6.00%	6.00%	6.00% +	6.25%	+0.25%	STABLE
		Good Secondary Bulky Goods Parks	7.50% +	7.75%	7.75%	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%	5.75% - 6.00%	6.00%	6.00%		STABLE
		Solus Bulky (15 year income)	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%	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% - 6.00%	5.75% - 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
	Leisure	Prime Leisure Parks	7.50% +	7.50% +	7.50% +	7.50% +	7.75% - 8.00%	8.00%	+	STABLE
		Good Secondary Leisure Parks	9.00% +	9.50%	9.75%	9.75%	9.00%	9.00%		STABLE

Based on rack rented properties and disregards bond type transactions

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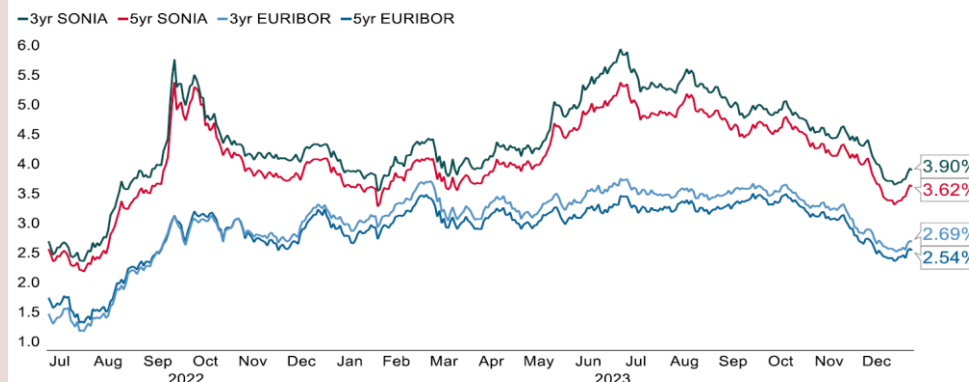
LEADING INDICATORS

New Year, More Rate Cuts? Due to softer-than-expected inflation and wage growth figures in December, economists now expect the Bank of England (BoE) to cut interest rates faster and further than previously anticipated. Economists predict between 100bps – 125bps of rate cuts from the BoE, starting in May or June, depending on the forecast house. However, many forecasters have been changing views on a frequent basis, making it tricky to grasp sentiment. Less than a month ago, the most economists expected were two rate cuts in 2024.

However, following the positive US jobs report on Friday, some of this optimism surrounding interest rate cuts has reduced. 216k jobs were added to the US labour market in December 2023, significantly above expectations of 170k. Since the data release, interest rate futures indicate less chance of a March rate reduction from the US Federal Reserve. Rightly or wrongly, the UK typically follows the US. Money markets are now pricing in five 25bps rate cuts from the BoE in 2024 starting in June, compared to the six 25bps rate cuts beginning in May, priced in last week.

DEBT MARKET – 8 January 2023

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES (05/01/2024)

	JAN 2023	NOV 2023	DEC 2023	JAN 2024
Bank of England Base Rate	3.50%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	3.92%	4.33%	4.01%	3.62%
10-year Gilt Redemption Yield	3.53%	4.51%	4.41%	3.83%
10-year Indexed Gilt Yield	0.46%	0.81%	0.66%	0.36%

ESG



[Flora Harley](#) explores the overarching trends set to continue or expand along with emerging themes and offering an ESG wishlist for 2024.

Intelligence Lab



Proprietary Partner and Department Head, [Emma Goodford](#), sets out the 7 key trends we predict for 2024 in the Life Sciences sector.

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KEY RESEARCH



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Knight Frank V&A

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- 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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