

Prime Yield Guide – January 2025

Knight Frank Intelligence

Based on rack rented properties and disregards bond type transactions

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and was prepared on 15 January 2025.



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	SECTOR		JAN-24	SEP-24	OCT-24	NOV-24	DEC-24	JAN-25	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%	2.75% - 3.00%		STABLE
		Oxford Street	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
		Prime Towns	7.00%	6.75%	6.75%	6.75%	6.75%	6.75%		STABLE
		Regional Cities	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
		Good Secondary	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.00% +	7.75%	7.75%	7.75%	7.50%	7.50%		STABLE
		Sub-Regional Scheme	9.50% +	9.00%	9.00%	9.00%	9.00% -	9.00% -		POSITIVE
		Local Scheme (successful)	10.50% +	10.00%	10.00%	10.00%	10.00% -	10.00% -		POSITIVE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	10.00%	10.00%	10.00%	10.00%	10.00% -	10.00% -		POSITIVE
	Out of Town Retail	Open A1 Parks	6.25%	5.75% -	5.50%	5.50%	5.25% - 5.50%	5.25% - 5.50%		POSITIVE
		Good Secondary Open A1 Parks	8.00%	7.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%		POSITIVE
		Bulky Goods Parks	6.25%	5.75% -	5.75% -	5.75% -	5.50%	5.50%		POSITIVE
		Good Secondary Bulky Goods Parks	8.00%	7.00%	7.00%	7.00%	6.75% - 7.00%	6.75% - 7.00%		POSITIVE
		Solus Open A1 (15 year income)	6.00%	6.00%	6.00%	6.00%	6.00% -	6.00% -		POSITIVE
		Solus Bulky (15 year income)	6.00%	6.00%	6.00%	6.00%	6.00% -	6.00% -		POSITIVE
	Foodstores	Annual RPI Increases [NIY] (20 year income)	5.00%	5.00%	5.00%	5.00%	4.75% - 5.00%	4.75% - 5.00%		POSITIVE
		Open Market Reviews (20 year lease, 5 yearly reviews)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Discounters (20 years, 5 yearly indexation)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		POSITIVE
	Leisure	Prime Leisure Parks	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%		STABLE
		Good Secondary Leisure Parks	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%		STABLE

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SECTOR		JAN-24	SEP-24	OCT-24	NOV-24	DEC-24	JAN-25	CHANGE	SENTIMENT
 Offices	City Prime (10 years)	5.25% - 5.50%	5.25% - 5.50%	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)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
	West End: Non-core (Soho & Fitzrovia)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Major Regional Cities (10 years)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%		STABLE
	Major Regional Cities (5 years)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%		STABLE
	Secondary, Regional Cities	11.00% +	11.00% +	11.00% +	11.00% +	11.00% +	11.00% +		NEGATIVE
	South East Towns (10 years)	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
	South East Towns (5 years)	8.25%	8.25%	8.25%	8.25%	8.25%	8.25%		STABLE
	Secondary, South East Towns	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +		NEGATIVE
	South East Business Parks (10 years)	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
	South East Business Parks (5 years)	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		NEGATIVE
 Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75% - 5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		POSITIVE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.25% - 5.50%	5.50% -	5.25% - 5.50%	5.25% - 5.50%	5.25%	5.25%		POSITIVE
	Secondary Distribution (10 years, OMRRs)	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Greater London Estates	5.00%	5.00% -	4.75% - 5.00%	4.75% - 5.00%	4.75%	4.75%		POSITIVE
	South East Estates	5.25%	5.25% -	5.00%	5.00%	5.00%	5.00%		POSITIVE
	Good Modern Rest of UK Estates	5.50%	5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		POSITIVE
	Good Secondary Estates	6.75% - 7.25%	6.75% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		STABLE
 Specialist Sectors	Car Showrooms (20 years with indexed uplifts & dealer covenant)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Budget Hotels London (20 years, 5 yearly indexed reviews)	4.75% +	4.75% -	4.75% -	4.75% -	4.75% -	4.75% -		POSITIVE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.25% +	5.25%	5.25% -	5.25% -	5.25% -	5.25% -		POSITIVE
	Student Accommodation Prime London (25 years, Annual indexation)	4.25% +	4.25%	4.25%	4.25%	4.25%	4.25%		STABLE
	Student Accommodation Prime Regional (25 years, Annual indexation)	4.50% +	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
	Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.50% +	4.75%	4.75%	4.75%	4.75%	4.50%	-0.25%	POSITIVE
	Healthcare (SPV credit, 30 years, Annual indexed reviews)	5.50% +	5.75%	5.75%	5.75%	5.75%	5.75%		POSITIVE
	Data Centres (Leased, 15 years, Annual indexation)	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Life Sciences (15 years)	4.50% - 4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	3.75%	3.75%	3.75%	3.75%	3.75%	4.00%	+0.25%	NEGATIVE
Ground Rents (125 years, Annual RPI / CPIH+1% RRs, <15% EBITDA cover, Vacant Possession cover <40%)	3.25%	3.25%	3.25%	3.25%	3.25%	3.50%	+0.25%	NEGATIVE	

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LEADING INDICATORS

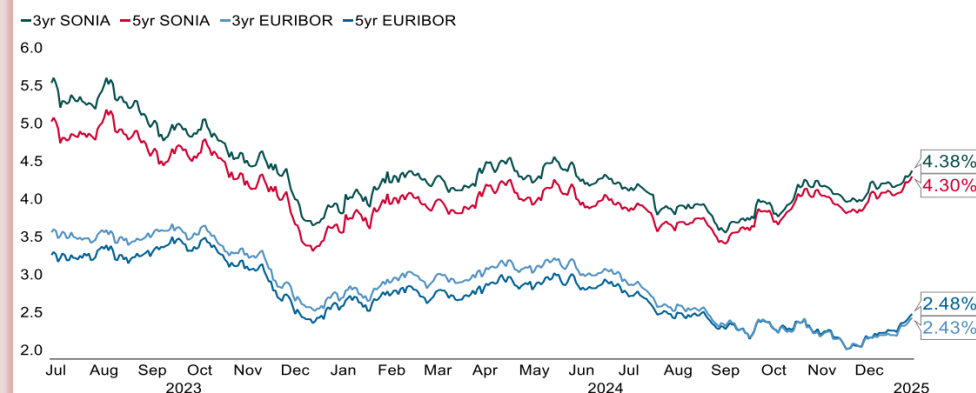
Global Bond Yields Surge. The first two weeks of 2025 have brought significant turbulence to global financial markets, marked by a sharp rise in government bond yields. In the UK, the 10-year gilt yield has surged by 29 basis points since the start of the year, reaching 4.85% - its highest level since 2008. The rise in bond yields though is not confined to the UK but part of a broader global trend.

2025: A Hawkish Year Ahead for Monetary Policy? Markets have scaled back expectations for the Bank of England (BoE) to cut interest rates in 2025, driven by concerns that Chancellor Rachel Reeves' policies could exacerbate inflationary pressures. Money market pricing reflects the expectation of just two quarter-point rate cuts this year, while economists are predicting reductions of 75–100 basis points.

Pressure on the BoE? The cautious start to 2025 stands in sharp contrast to the optimism that characterised early 2024, when markets were predicting six rate cuts, only for policymakers to deliver just two. Signs of a cooling economy are becoming increasingly evident so the BoE could still decide to cut the base rate at its upcoming February monetary policy meeting.

DEBT MARKET – 13 January 2025

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES	JAN 2024	NOV 2024	DEC 2024	13 JAN 2025
Bank of England Base Rate	5.25%	4.75%	4.75%	4.75%
5-year SONIA Swap Rate	3.62%	4.13%	3.81%	4.30%
10-year Gilt Redemption Yield	3.83%	4.52%	4.20%	4.87%
10-year Indexed Gilt Yield	0.36%	0.92%	0.73%	1.26%

ESG



The ESG outlook: What's next for 2025?

Intelligence Lab



Industrial & Logistics Market: Five Predictions for 2025

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KEY RESEARCH



Care Homes Trading Performance Review - 2024

Knight Frank V&A

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- 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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