

Prime Yield Guide – July 2024

Knight Frank Intelligence

Based on rack rented properties and disregards bond type transactions

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and was prepared on 09 July 2024.



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	SECTOR		JUL-23	MAR-24	APR-24	MAY-24	JUN-24	JUL-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%	2.75% - 3.00%		STABLE
		Oxford Street	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
		Prime Towns (Oxford, Cambridge, Winchester)	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%		STABLE
		Regional Cities (Manchester, Birmingham)	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
		Good Secondary (Truro, Leamington Spa, Colchester etc)	9.00% - 9.25%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.25%	8.25%	8.25%	8.25%	8.25%	8.00%	-0.25%	STABLE
		Sub-Regional Scheme	9.50% +	9.50% +	9.50% +	9.50%	9.50%	9.25%	-0.25%	STABLE
		Local Scheme (successful)	10.50% +	10.50% +	10.50% +	10.50%	10.50%	10.50%		STABLE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Out of Town Retail	Open A1 Parks	5.75% +	6.00%	5.75% - 6.00%	5.75%	5.75%	5.75%		POSITIVE
		Good Secondary Open A1 Parks	7.50%	8.00%	7.75% - 8.00%	7.75%	7.50%	7.25%	-0.25%	POSITIVE
		Bulky Goods Parks	5.75% +	6.00%	5.75% - 6.00%	5.75%	5.75%	5.75%		POSITIVE
		Good Secondary Bulky Goods Parks	7.50%	8.00%	7.75% - 8.00%	7.75%	7.50%	7.25%	-0.25%	POSITIVE
		Solus Open A1 (15 year income)	5.75% +	6.00%	6.00%	6.00%	6.00%	6.00%		POSITIVE
		Solus Bulky (15 year income)	5.75% +	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%	5.00%	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		JUL-23	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	CHANGE	SENTIMENT
 Offices	City Prime (10 years)	5.25%	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)	4.50% - 4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Major Regional Cities (10 years)	5.75% +	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	9.50% +	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)	7.50%	8.25%	8.25%	8.25%	8.25%	8.25%		STABLE
	Secondary, South East Towns	10.00% +	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +		NEGATIVE
	South East Business Parks (10 years)	7.00%	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
	South East Business Parks (5 years)	9.00%	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%		POSITIVE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.25%	5.50%	5.50%	5.50%	5.50%	5.50%		POSITIVE
	Secondary Distribution (10 years, OMRRs)	5.50% - 5.75%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Greater London Estates	4.75%	5.00%	5.00%	5.00%	5.00%	5.00%		POSITIVE
	South East Estates	5.00%	5.25%	5.25%	5.25%	5.25%	5.25%		POSITIVE
	Good Modern Rest of UK Estates	5.25% - 5.50%	5.50%	5.50%	5.50%	5.50%	5.50%		POSITIVE
	Good Secondary Estates	6.50% - 7.00%	6.75% - 7.25%	6.75% - 7.25%	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% +	4.75%	4.75%	4.75%	4.75%		POSITIVE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00%	5.25% - 5.50%	5.50% +	5.50%	5.50%	5.50%		STABLE
	Student Accommodation Prime London (25 years, Annual indexation)	4.00% +	4.25% +	4.25% +	4.25% +	4.25% +	4.25% +		STABLE
	Student Accommodation Prime Regional (25 years, Annual indexation)	4.25%	4.50% +	4.50% +	4.50% +	4.50% +	4.50% +		STABLE
	Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.00% - 4.25%	4.50% +	4.50% - 4.75%	4.75%	4.75%	4.75%		STABLE
	Healthcare (SPV credit, 25 years, Annual indexed reviews)	5.25%	5.75%	5.75%	5.75%	5.75%	5.75%		STABLE
	Data Centres (Leased, 15 years, Annual indexation)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Life Sciences (15 years)	4.50%	4.50% - 4.75%	4.50% - 4.75%	4.75%	4.75%	4.75%		STABLE
	Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	4.00%	3.75%	3.75%	3.75%	3.75%	3.75%		STABLE
Ground Rents (125 years, Annual RPI / CPIH+1% RRs, <15% EBITDA cover, Vacant Possession cover <40%)	3.25%	3.50%	3.25%	3.25%	3.25%	3.25%		STABLE	

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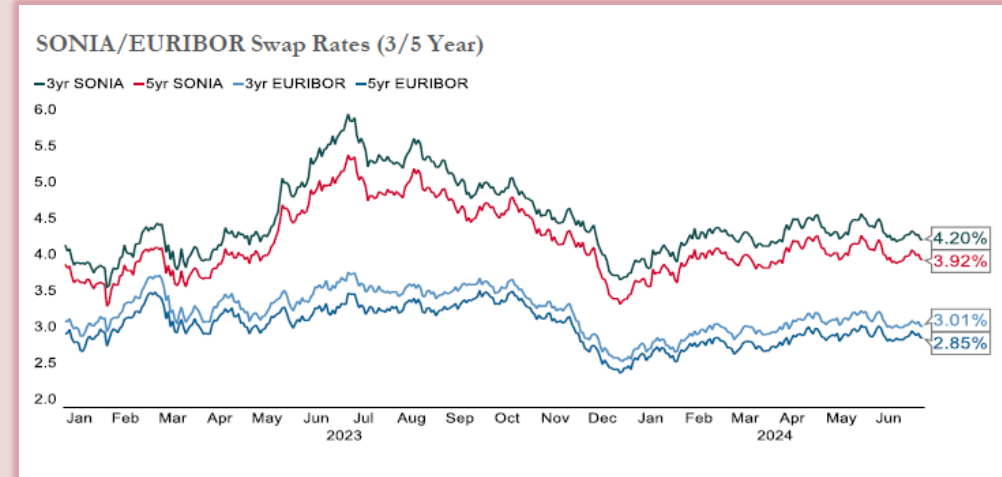
LEADING INDICATORS

First stability, then reform? For commercial real estate, the impact of the first few days of a new government has been less about financial markets and rather more in the form of a raft of post-election announcements. Policy announcements and clarifications appear likely to come thick and fast over the coming weeks, but the impact on commercial real estate will take time to establish.

Unlocking capex. Will greater certainty, or political stability alone, be enough to entice businesses to invest more heavily in the UK? The new government aims to boost infrastructure investment however given manifesto pledges of prudence, and very tight public finances, this will rely on greater buy-in from large investors such as pension and insurance funds.

Politics impacts markets. The spread between French and German 10-year bond yield grew by 30bps at the point of peak French election fever. It may be too early to say but if the UK is resuming a relatively more centrist and stable position should those making real estate decisions of an international nature be wise to take a renewed look at the UK.

DEBT MARKET – 8 July 2024



Source: Macrobond, ICAP

BONDS & RATES	JUL 2023	MAY 2024	JUN 2024	5 JUL 2024
Bank of England Base Rate	5.00%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	5.23%	4.11%	4.05%	3.89%
10-year Gilt Redemption Yield	4.42%	4.29%	4.26%	4.16%
10-year Indexed Gilt Yield	0.89%	0.63%	0.52%	0.63%

ESG



What does the Labour Government mean for ESG and property?

Intelligence Lab



UK Logistics Investment and Occupier Dashboard Q2 2024

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KEY RESEARCH



Life Sciences & Innovation Insight

The UK life sciences sector is changing at pace. Our quarterly market intelligence dashboard tracks key developments and performance of the sector.

Knight Frank V&A

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- Data Centres
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- Income Strips
- Ground Rents
- Trading assets
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- 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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