






Prime Yield Guide – June 2024

Knight Frank Intelligence

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and was prepared on 06 June 2024.



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SECTOR		JUN-23	FEB-24	MAR-24	APR-24	MAY-24	JUN-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	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
		Prime Towns (Oxford, Cambridge, Winchester)	6.75%	7.00%	7.00%	7.00%	7.00%	7.00%		STABLE
		Regional Cities (Manchester, Birmingham)	7.00%	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	8.00% +	8.25%	8.25%	8.25%	8.25%	8.25%		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%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Out of Town Retail	Open A1 Parks	5.75% -	6.25%	6.00%	5.75% - 6.00%	5.75%	5.75%		POSITIVE
		Good Secondary Open A1 Parks	7.50%	8.00%	8.00%	7.75% - 8.00%	7.75%	7.50%	-0.25%	POSITIVE
		Bulky Goods Parks	5.75% -	6.25%	6.00%	5.75% - 6.00%	5.75%	5.75%		POSITIVE
		Good Secondary Bulky Goods Parks	7.50%	8.00%	8.00%	7.75% - 8.00%	7.75%	7.50%	-0.25%	POSITIVE
		Solus Open A1 (15 year income)	5.75%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Solus Bulky (15 year income)	5.75%	6.00%	6.00%	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%	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%		STABLE
	Leisure	Prime Leisure Parks	7.50% +	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

Based on rack rented properties and disregards bond type transactions

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SECTOR		JUN-23	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	CHANGE	SENTIMENT
	Offices	City Prime (10 years)	5.00%	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)	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%	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% -	4.75% - 5.00%	5.00%	5.00%	5.00%	5.00%	STABLE
		Prime Distribution / Warehousing (15 years, OMRRs)	5.25% -	5.25% - 5.50%	5.50%	5.50%	5.50%	5.50%	STABLE
		Secondary Distribution (10 years, OMRRs)	5.50% - 5.75%	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%	STABLE
		South East Estates	5.00%	5.25%	5.25%	5.25%	5.25%	5.25%	STABLE
		Good Modern Rest of UK Estates	5.25% - 5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	STABLE
		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% +	5.25% - 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)	4.75%	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)	3.75%	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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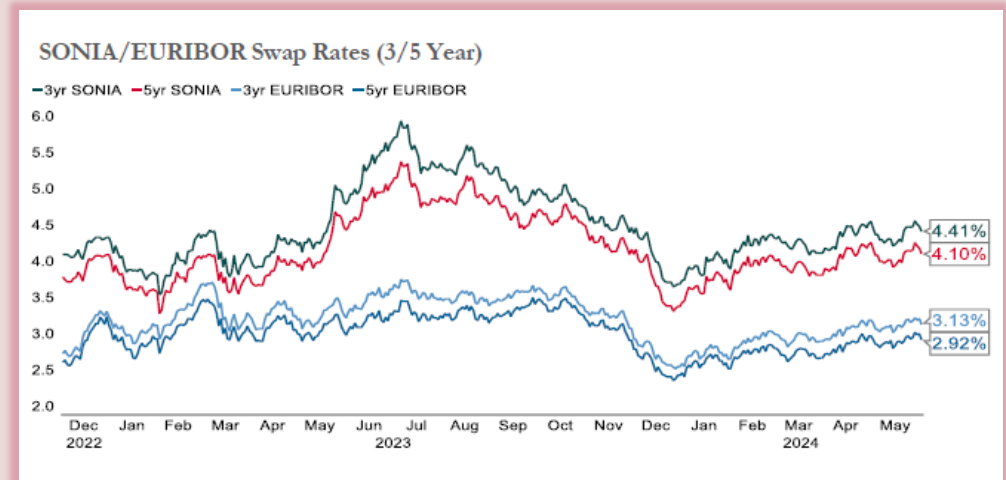
LEADING INDICATORS

UK Industrial set to outperform over the next few years! In the latest IPF Survey, the 2024 All Property total return forecast has seen a slight downgrade by -50bps to +5.4%. Between 2024-2028, Industrial is expected to be the best performing sector with a total return of +8.5% per annum. The lack of volatility in recent surveys indicates a greater level of conviction towards future return profiles.

UK business investment: could a post-election ‘stability dividend’ help increase it? Firms are paying back, rather than borrowing, according to the BoE, which showed borrowing by large businesses fell to -0.3% in April. Weak business investment – the foundation of future growth – has long been identified as a structural failing of the UK economy. Some are hoping that post-election stability induces a revival in business investment.

The UK Manufacturing PMI lifted to a 22-month high in May at 51.2, up from 49.1 in April. Meanwhile the UK Services PMI fell to 52.9 in May, its lowest level in six months, but remained in expansionary territory (>50) for the seventh consecutive month.

DEBT MARKET – 3 June 2024



Source: Macrobond, ICAP

BONDS & RATES	JUN 2023	APR 2024	MAY 2024	3 JUN 2024
Bank of England Base Rate	4.50%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	4.53%	3.85%	4.11%	4.05%
10-year Gilt Redemption Yield	4.21%	4.07%	4.29%	4.26%
10-year Indexed Gilt Yield	0.69%	0.43%	0.63%	0.52%

ESG



ESG Potential:

London Office Stock and the £19 billion bill

Intelligence Lab



UK Hotel Dashboard Q2 2024:

Key hotel trading metrics for London and Regional hotels, plus investment volumes.

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KEY RESEARCH



UK Real Estate Navigator – Q1 2024

The Knight Frank UK Real Estate Navigator outlines key occupier and investment trends across the different sectors within UK commercial real estate.

Knight Frank V&A

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- 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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