

Prime Yield Guide – March 2025

Knight Frank Intelligence

Based on rack rented properties and disregards bond type transactions

This yield guide is for indicative purposes only
and was prepared on 6 March 2025.



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	SECTOR		MAR-24	NOV-24	DEC-24	JAN-25	FEB-25	MAR-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%	6.50%	6.50%		POSITIVE
		Regional Cities	7.25%	7.25%	7.25%	7.25%	7.00%	7.00%		POSITIVE
		Good Secondary	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.25% +	7.75%	7.50%	7.50%	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	6.00%	5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		POSITIVE
		Good Secondary Open A1 Parks	8.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	6.50% - 6.75%	-0.25%	POSITIVE
		Bulky Goods Parks	6.00%	5.75% -	5.50%	5.50%	5.50%	5.50%		POSITIVE
		Good Secondary Bulky Goods Parks	8.00%	7.00%	6.75% - 7.00%	6.75% - 7.00%	6.75% - 7.00%	6.50% - 6.75%	-0.25%	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%	4.75% - 5.00%	4.75% - 5.00%	4.75%	4.75%		POSITIVE
		Open Market Reviews (20 year lease, 5 yearly reviews)	6.00%	6.00%	6.00%	6.00%	5.75%	5.75%		POSITIVE
		Discounters (20 years, 5 yearly indexation)	4.75%	4.75%	4.75%	4.75%	4.75%	4.50%	-0.25%	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		MAR-24	OCT-24	NOV-24	DEC-24	JAN-25	MAR-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)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		POSITIVE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25%	5.25%	5.25%		POSITIVE
	Secondary Distribution (10 years, OMRRs)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
	Greater London Estates	5.00%	4.75% - 5.00%	4.75% - 5.00%	4.75%	4.75%	4.75%		POSITIVE
	South East Estates	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%		POSITIVE
	Good Modern Rest of UK Estates	5.50%	5.00% - 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%	6.50% - 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% -	4.50% - 4.75%		POSITIVE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.25% - 5.50%	5.25% -	5.25% -	5.25% -	5.25% -	5.00% - 5.25%		POSITIVE
	Student Accommodation Prime London (25 years, Annual indexation)	4.25% +	4.25%	4.25%	4.25%	4.25%	4.00%		STABLE
	Student Accommodation Prime Regional (25 years, Annual indexation)	4.50% +	4.50%	4.50%	4.50%	4.50%	4.25%		STABLE
	Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.50% - 4.75%	4.75%	4.75%	4.75%	4.50%	4.50%		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)	5.00%	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%	4.00%	4.00%		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%	3.50%	3.50%		NEGATIVE	

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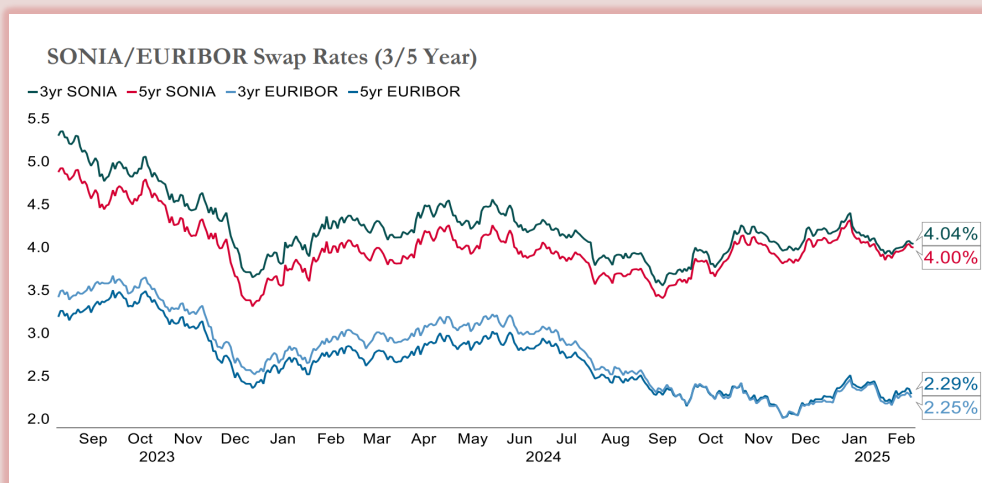
LEADING INDICATORS

UK rate cuts to outpace the US. Market expectations for interest rate cuts in the UK and US continue to diverge. In the UK, markets are still pricing in three quarter-point rate cuts, bringing the bank rate to 3.75% by year-end. In contrast, US markets are pricing in only two rate cuts. Economists align with the UK's market expectation, however, the consensus for the US is limited to none or just one cut in 2025.

UK CRE net lending sees strong start to 2025. Net lending to UK commercial real estate began 2025 on a stable note, totalling £917 million in January. While this was down from £1.28 billion last month it remained broadly in line with the 2024 average. The increase in net lending was driven by a rebound in development financing, which surged from -£28m in December to £185m.

Mexico and Canada most exposed. President Donald Trump has imposed new tariffs on Canada and Mexico, alongside a significant increase in the levy on China. These tariffs will be amongst the most extensive of his presidency, impacting approximately \$1.5 trillion in annual imports. A 25% tariff will apply to all imports from Canada and Mexico, while the tariff on China will be raised to 20%.

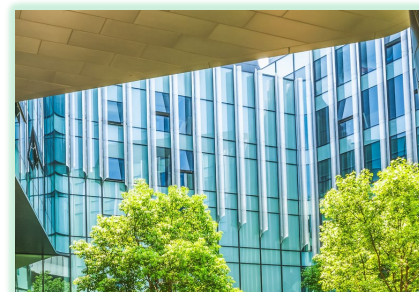
DEBT MARKET – 24 February 2025



Source: Macrobond, ICAP

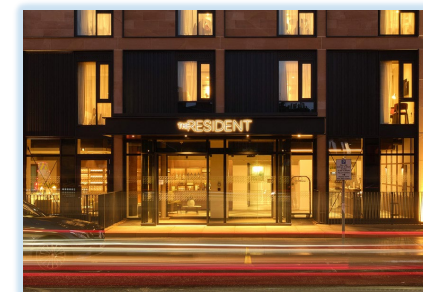
BONDS & RATES	MAR 2024	JAN 2025	FEB 2025	5 MAR 2025
Bank of England Base Rate	5.25%	4.75%	4.50%	4.50%
5-year SONIA Swap Rate	3.96%	4.30%	3.92%	4.04%
10-year Gilt Redemption Yield	4.09%	4.85%	4.51%	4.69%
10-year Indexed Gilt Yield	0.58%	1.26%	0.97%	1.19%

ESG



The takeaway for real estate from the UK's Seventh Carbon Budget

Intelligence Lab



UK Hotel Trading Performance Review and outlook for 2025

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KEY RESEARCH



The Wealth Report 2025: America First

Knight Frank V&A

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- Infrastructure
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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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