






Prime Yield Guide – May 2024

Knight Frank Intelligence

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and was prepared on 09 May 2024.



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SECTOR		MAY-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-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% +	8.00% +	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%	6.25%	6.00%	5.75% - 6.00%	5.75%	-	POSITIVE
		Good Secondary Open A1 Parks	7.50%	8.00%	8.00%	8.00%	7.75% - 8.00%	7.75%	-	POSITIVE
		Bulky Goods Parks	5.75% -	6.25%	6.25%	6.00%	5.75% - 6.00%	5.75%	-	POSITIVE
		Good Secondary Bulky Goods Parks	7.50%	8.00%	8.00%	8.00%	7.75% - 8.00%	7.75%	-	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		MAY-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	CHANGE	SENTIMENT
	Offices	City Prime (10 years)	4.75% - 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	9.75%	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
		Secondary South East Business Parks	10.50%	12.50% +	12.50% +	12.50% +	12.50% +	12.50% +	NEGATIVE
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75% -	4.75% - 5.00%	4.75% - 5.00%	5.00%	5.00%	5.00%	STABLE
		Prime Distribution / Warehousing (15 years, OMRRs)	5.25% -	5.25% - 5.50%	5.25% - 5.50%	5.50%	5.50%	5.50%	STABLE
		Secondary Distribution (10 years, OMRRs)	5.50% - 5.75%	5.75% - 6.00%	5.75% - 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%
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% +	5.25% - 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% +	4.50% - 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%			4.75%	5.00%	5.00%	5.00%	5.00%	STABLE
Life Sciences (15 years)	4.25% - 4.50%			4.50% - 4.75%	4.50% - 4.75%	4.50% - 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%	3.50%	3.25%	3.25%	3.25%	STABLE

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LEADING INDICATORS

A stronger Spring? The Bank of England held the base rate at 5.25% as economists and money markets expected (7-2 vote). Despite this expectation, UK business confidence has strengthened. The Lloyds Business Barometer held steady for a second month with a net balance of 42% in April, surpassing the survey's long-term average of 28%. Additionally, Lloyds Economic Optimism rose to 39%, its highest level since February 2022. This optimistic outlook is further reflected in Deloitte's latest CFO survey. Sentiment among UK CFOs rose for the third consecutive quarter in Q1 2024, and uncertainty has fallen to a two-and-a-half-year low, back to levels seen in summer 2021. As business optimism rises, we may see a pick-up in leasing activity in H2 2024.

Following Local Elections last week the latest odds suggest 78% probability of the next UK General Election occurring between October and December 2024. There's a 15% probability of the election being called for sometime between July and September 2024, up from 5% a month ago. The latest odds also suggest a 78% probability of a Labour government post-election.

DEBT MARKET – 7 May 2024

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES	MAY 2023	MAR 2024	APR 2024	2 MAY 2024
Bank of England Base Rate	4.25%	5.25%	5.25%	5.25%
5-year SONIA Swap Rate	3.99%	3.96%	3.85%	4.11%
10-year Gilt Redemption Yield	3.66%	4.09%	4.07%	4.29%
10-year Indexed Gilt Yield	0.36%	0.58%	0.43%	0.63%

ESG



What could a more circular retail economy mean for retail property?

Intelligence Lab



Beyond the Numbers:
Why Q1 market data doesn't tell the full story for the logistics sector

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KEY RESEARCH



Landlord Refurbishment Cost Guide - Spring 2024

Knight Frank Building Consultancy provide their latest insights into office refurbishment costs, tender price inflation, ESG and Regulation.

Knight Frank V&A

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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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