

Prime Yield Guide – May 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 9 May 2025.*

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	Sector		May-24	Jan-25	Feb-25	Mar-25	Apr-25	May-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%		Positive
		West End: Prime Core (Mayfair & St James's)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%		Positive
		West End: Non-core (Soho & Fitzrovia)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		Positive
		Major Regional Cities (10 years)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%		Positive
		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%		Stable
		Prime Distribution / Warehousing (15 years, OMRs)	5.50%	5.25%	5.25%	5.25%	5.25%	5.25%		Stable
		Secondary Distribution (10 years, OMRs)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		Stable
		Greater London Estates	5.00%	4.75%	4.75%	4.75%	4.75%	4.75%		Stable
		South East Estates	5.25%	5.00%	5.00%	5.00%	5.00%	5.00%		Stable
		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%		Stable
		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% -	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%		Stable
		Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.50% +	5.25% -	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%	5.00% - 5.25%		Stable
		Student Accommodation Prime London (25 years, Annual indexation)	4.25% +	4.25%	4.00%	4.00%	4.00%	4.00%		Stable
		Student Accommodation Prime Regional (25 years, Annual indexation)	4.50% +	4.50%	4.25%	4.25%	4.25%	4.25%		Stable
		Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%		Stable
		Healthcare (SPV credit, 30 years, Annual indexed reviews)	5.50% +	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)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		Stable
		Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	3.75%	4.00%	4.00%	4.00%	4.00%	4.00%		Stable
		Ground Rents (125 years, Annual RPI / CPIH+1% RRs, <15% EBITDA cover. Vacant Possession cover <40%)	3.25%	3.50%	3.50%	3.50%	3.50%	3.50%		Stable

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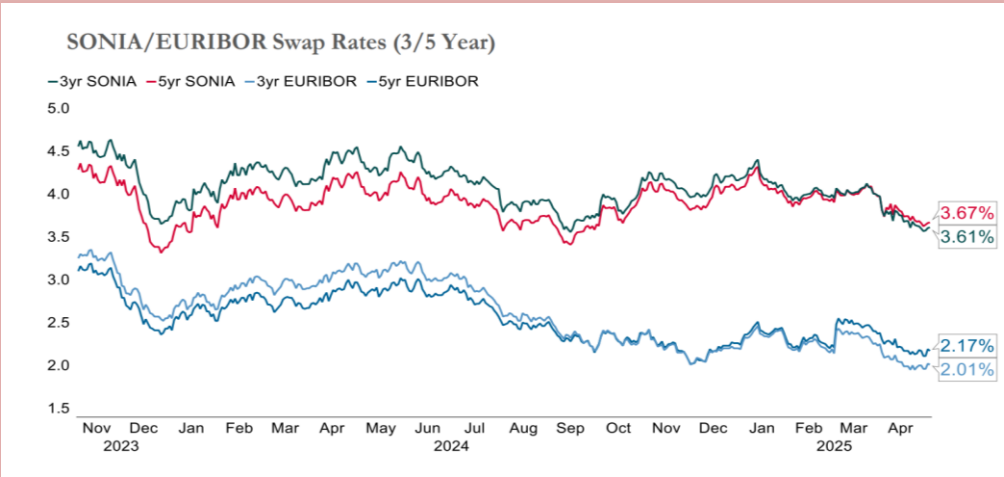
LEADING INDICATORS

Demand shock from tariffs supports lower inflation and rate cuts. According to Oxford Economics, reduced global demand, partly driven by US tariffs has contributed toward a downward revision in inflation forecasts. The case for monetary easing has strengthened, with markets now pricing in two further 25bps cuts from the Bank of England, bringing the bank rate down to 3.75% by year-end.

Gilt yields settle after volatility, though uncertainty remains. UK gilt yields have moderated after a period of sharp volatility in April. The 10-year gilt yield has fallen to around 4.50%, down from a peak of 4.75%. This is supported in part by the UK Debt Management Office’s decision to reduce long-dated gilt issuance in the 2025–26 fiscal year, alleviating concerns over supply pressures.

UK pension funds encouraged to back domestic private markets. The UK government is encouraging pension funds to allocate 10% of their assets to private markets by 2030, with at least half of that directed towards domestic investments. The initiative aims to stimulate economic growth and enhance pension returns by channelling capital into UK businesses and infrastructure.

DEBT MARKET – 6 May 2025



Source: Macrobond, ICAP

BONDS & RATES	MAY 2024	MAR 2025	APR 2025	8 MAY 2025
Bank of England Base Rate	5.25%	4.50%	4.50%	4.25%
5-year SONIA Swap Rate	4.11%	4.04%	3.73%	3.65%
10-year Gilt Redemption Yield	4.29%	4.69%	4.45%	4.51%
10-year Indexed Gilt Yield	0.63%	1.19%	1.16%	1.26%

ESG



EVs: The Everywhere Vehicle?

Intelligence Lab



Retail Warehousing Dashboard
Q1 2025

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KEY RESEARCH



Quantifying Technology in Real Estate - Spring 2025

Quantifying Technology in Real Estate explores how emerging technologies are transforming the real estate landscape. This report examines key trends across sectors, highlighting how technology is driving innovation and influencing real estate strategies for the future.

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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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