

Prime Yield Guide – November 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 14 November 2023.



[Click here to view previous data](#)

SECTOR		NOV-22	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	CHANGE	SENTIMENT	
	Offices	City Prime (10 years)	4.50%	5.25%	5.25%	5.25% +	5.25% +	5.25% - 5.50%	+	NEGATIVE
		West End: Prime Core (Mayfair & St James's)	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE
		West End: Non-core (Soho & Fitzrovia)	4.25%	4.50% - 4.75%	4.50% - 4.75%	4.75%	4.75%	4.75%		NEGATIVE
		Major Regional Cities (10 years)	5.50% - 6.00%	5.75% +	6.00% +	6.25%	6.25% - 6.50%	6.50%	+	NEGATIVE
		Major Regional Cities (5 years)	6.00% - 6.50%	6.50% - 7.00%	7.00% +	7.25% +	7.50% +	7.50%		NEGATIVE
		Secondary Regional Cities	7.50% - 8.00%	9.50% +	10.00% +	10.50% +	11.00% +	11.00% +		NEGATIVE
		South East Towns (10 years)	5.75% - 6.25%	6.00% - 6.50%	6.50% - 7.00%	7.00% +	7.25% +	7.25%		NEGATIVE
		South East Towns (5 years)	7.25% +	7.50%	8.00% +	8.25% +	8.50% +	8.25%	-0.25%	NEGATIVE
		Secondary South East Towns	8.25% - 8.50%	10.00% +	10.50% +	11.00% +	11.50% +	11.50% +		NEGATIVE
		South East Business Parks (10 years)	6.25% - 6.75%	7.00%	7.50% +	7.75% +	8.00% +	8.00% +		NEGATIVE
		South East Business Parks (5 years)	7.50% - 8.00%	9.00%	9.50% +	10.00% +	10.50% +	10.50% +		NEGATIVE
		Secondary South East Business Parks	8.50% - 8.75%	10.50% +	11.00% +	12.00% +	12.50% +	12.50% +		NEGATIVE
Life Sciences (Oxford, Cambridge)	4.00%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE		
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.25% - 4.75%	4.75%	4.75%	4.75% +	4.75% +	4.75% +		NEGATIVE
		Prime Distribution / Warehousing (15 years, OMRRs)	4.75% - 5.25%	5.25%	5.25%	5.25% +	5.25% +	5.25% +		NEGATIVE
		Secondary Distribution (10 years, OMRRs)	5.25% - 5.75%	5.50% - 5.75%	5.50% - 5.75%	5.75%	5.75%	5.75%		NEGATIVE
		South East Estates (excluding London & Heathrow)	4.50% - 5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
		Good Modern Rest of UK Estates	5.00% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		STABLE
		Good Secondary Estates	6.00% - 6.50%	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)	5.75%	5.75%	5.75%	5.75%	6.00%	6.00%		NEGATIVE
		Budget Hotels London (20 years, 5 yearly indexed reviews)	4.25% - 4.50%	4.50%	4.50%	4.50% +	4.50% - 4.75%	4.75%	+	NEGATIVE
		Budget Hotels Regional (20 years, 5 yearly indexed reviews)	4.75% - 5.00%	5.00%	5.00%	5.00%	5.00%	5.25%	+0.25%	NEGATIVE
		Student Accommodation Prime London (Direct Let)	3.75% +	4.00% +	4.00% - 4.25%	4.00% - 4.25%	4.25%	4.25%		STABLE
		Student Accommodation Prime Regional (Direct Let)	5.00% - 5.25%	5.00% - 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)	3.75% - 4.00%	4.00%	4.00%	4.00% +	4.00% +	4.25%	+0.25%	NEGATIVE
		Student Accommodation Prime Regional (25 years, Annual indexation)	4.00% - 4.25%	4.25%	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.50%	+	NEGATIVE
		Healthcare (Elderly Care, 30 years, Annual indexed reviews)	4.00% - 4.25%	4.00% - 4.25%	4.25%	4.25% - 4.50%	4.25% - 4.50%	4.25% - 4.50%		NEGATIVE
		Data Centres (Operational)	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
		Data Centres (Leased, 15 years, Annual indexation)	4.25%	5.00%	5.00%	4.75%	4.75%	4.75%		STABLE
Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	3.50% - 3.75%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE		

Prime Yield Guide – November 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 14 November 2023.



[Click here to view previous data](#)

SECTOR		NOV-22	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	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	4.25% +	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
	Prime Towns (Oxford, Cambridge, Winchester)	6.50% +	6.75%	6.75%	6.75%	6.75% +	6.75% +		NEGATIVE
	Regional Cities (Manchester, Birmingham)	6.75% +	7.00%	7.00%	7.00%	7.00% +	7.00% +		NEGATIVE
	Good Secondary (Truro, Leamington Spa, Colchester etc)	8.50% - 8.75%	9.00% - 9.25%	9.25%	9.50%	9.50% +	9.50% - 9.75%	+	NEGATIVE
	Shopping Centres (sustainable income)								
	Regional Scheme	7.75% - 8.00%	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
	Sub-Regional Scheme	9.00%	9.00% +	9.00% +	9.00% +	9.50%	9.50%		NEGATIVE
	Local Scheme (successful)	9.75%	9.75% +	10.00%	10.00% +	10.50%	10.50%		NEGATIVE
	Neighbourhood Scheme (assumes <25% of income from supermarket)	9.50% - 9.75%	9.50% - 9.75%	9.75% - 10.00%	9.75% - 10.00%	9.75% - 10.00%	9.75% - 10.00%		NEGATIVE
	Out of Town Retail								
	Open A1 Parks	5.50% - 6.00%	5.75% +	5.75% - 6.00%	6.00%	6.00%	6.00%		STABLE
	Good Secondary Open A1 Parks	7.00% +	7.50%	7.50% - 7.75%	7.75%	7.75%	8.00%	+0.25%	STABLE
	Bulky Goods Parks	5.50% - 6.00%	5.75% +	5.75% - 6.00%	6.00%	6.00%	6.00%		STABLE
	Good Secondary Bulky Goods Parks	7.00% +	7.50%	7.50% - 7.75%	7.75%	7.75%	8.00%	+0.25%	STABLE
	Solus Open A1 (15 year income)	5.50% +	5.75% +	5.75% +	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
	Solus Bulky (15 year income)	5.50% +	5.75% +	5.75% +	5.75% - 6.00%	5.75% - 6.00%	5.75% - 6.00%		STABLE
	Foodstores								
	Annual RPI Increases [NIY] (20 year income)	4.50% - 5.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Open Market Reviews (20 year lease, 5 yearly reviews)	5.25% - 5.75%	5.75%	5.75%	5.75% +	5.75% - 6.00%	5.75% - 6.00%		NEGATIVE
	Discounters (20 years, 5 yearly indexation)	4.25% - 4.50%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
	Leisure								
	Prime Leisure Parks	7.25% - 7.50%	7.50% +	7.50% +	7.50% +	7.50% +	7.50% +		NEGATIVE
	Good Secondary Leisure Parks	8.50% - 8.75%	9.00% +	9.25%	9.50%	9.75%	9.75%		NEGATIVE

Based on rack rented properties and disregards bond type transactions

Prime Yield Guide – November 2023

Knight Frank Intelligence

This yield guide is for indicative purposes only and was prepared on 14 November 2023.



[Click here to view previous data](#)

LEADING INDICATORS – 14 November 2023

RACE TO RATE CUTS NOW ON?

UK economic growth was flat in the third quarter of 2023, slowing from a +0.2% expansion in the previous quarter but above market expectations of a -0.1% contraction. This was the weakest pace of growth since Q3 2022, suggesting the weight of the BoE's historic monetary tightening run is beginning to take effect. Most economists currently forecast at least two rate cuts from the BoE and Fed next year, albeit with differing opinions on when the first rate cut will be.

UK BORROWING TO SUPPORT BoE'S INFLATION TARGET

In line with less government borrowing, the UK 30-year gilt yield has fallen back to c.4.7% from above 5% in October. Meanwhile, the 5-year SONIA swap rate is currently at 4.23%, a six-month low. As financing costs remain elevated, we may see more CRE transactions next year, should investors choose not to refinance and bring assets to market instead.

DEBT MARKET – 14 November 2023

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES (13/11/2023)	NOV 2022	SEP 2023	OCT 2023	NOV 2023
SONIA Rate	2.187%	5.185%	5.187%	5.187%
Bank of England Base Rate	3.00%	5.25%	5.25%	5.25%
5-year swap rates	4.403%	5.032%	4.807%	4.563%
10-year gilts redemption yield	3.45%	4.42%	4.51%	4.41%

ESG



Is the Logistics sector delivering on ESG?

Knight Frank explores environmental, social and governance initiatives in the logistics sector.

Intelligence Lab



Retail Renaissance: The Price of Change 2.0

Our latest Thought Leadership UK Retail Report, a deep-dive into current and future structural change

Prime Yield Guide – November 2023

Knight Frank Intelligence

*This yield guide is for indicative purposes only
and was prepared on 14 November 2023.*



KEY RESEARCH



ESG Strategies differ among investor types

Our recently released [ESG Property Investor Survey](#) highlighted some key industry trends. Here we delve deeper into the results and analyse nuances among investor types and focus.

Knight Frank V&A

Did you know

In addition to valuing assets in the main property sectors and having award winning teams in the Healthcare, Student and Automotive sectors, Knight Frank also has expertise in :

- Waste and Energy
- Infrastructure
- Garden Centres
- Film Studios
- Serviced Offices
- 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.



[Emily Miller](#)

Partner – Valuation & Advisory - Head of UK Fund Valuations
+44 20 7861 1483
Emily.Miller@KnightFrank.com



[Jeremy Tham](#)

Partner – Valuation & Advisory - Head of Real Estate Finance Valuations
+44 20 7861 1769
Jeremy.Tham@KnightFrank.com



[Simon Gillespie](#)

Partner – Valuation & Advisory - Head of Central London Valuations
+44 20 7861 1292
Simon.Gillespie@KnightFrank.com



[Chris Galloway](#)

Partner – Valuation & Advisory - Head of Business Development UK Fund Valuations
+44 20 7861 1297
Chris.Galloway@KnightFrank.com



[Matthew Dichler](#)

Partner – Valuation & Advisory – UK Fund Valuations
+44 20 7861 5224
Matthew.Dichler@KnightFrank.com



[Will Matthews](#)

Partner – Research - Head of Commercial
+44 20 3909 6842
William.Matthews@KnightFrank.com

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: © Knight Frank LLP 2023. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 6AN, where you may look at a list of members' names.

Knight Frank Research
Reports are available at
knightfrank.com/research

Your partners in property.