Knight Frank Intelligence

Based on rack rented properties and disregards bond type transactions

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	SECTOR		NOV-23	JUL-24	AUG-24	SEP-24	OCT-24	NOV-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%	2.75% - 3.00%		STABLE
		Oxford Street	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
		Prime Towns	6.75% +	7.00%	6.75%	6.75%	6.75%	6.75%		STABLE
		Regional Cities	7.00% +	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
		Good Secondary	9.50% - 9.75%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.00% +	8.00%	8.00%	7.75%	7.75%	7.75%		STABLE
		Sub-Regional Scheme	9.50%	9.25%	9.25%	9.00%	9.00%	9.00%		STABLE
		Local Scheme (successful)	10.50%	10.50%	10.50%	10.00%	10.00%	10.00%		STABLE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	9.75% - 10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
										-
	Out of Town Retail	Open A1 Parks	6.00%	5.75%	5.75% -	5.75% -	5.50%	5.50%		POSITIVE
		Good Secondary Open A1 Parks	8.00%	7.25%	7.00%	7.00%	6.75% - 7.00%	6.75% - 7.00%		POSITIVE
		Bulky Goods Parks	6.00%	5.75%	5.75% -	5.75% -	5.75% -	5.75% -		POSITIVE
		Good Secondary Bulky Goods Parks	8.00%	7.25%	7.00%	7.00%	7.00%	7.00%		POSITIVE
		Solus Open A1 (15 year income)	5.75% - 6.00%	6.00%	6.00%	6.00%	6.00%	6.00%		POSITIVE
		Solus Bulky (15 year income)	5.75% - 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%	5.00%	5.00%	5.00%	5.00%		POSITIVE
		Open Market Reviews (20 year lease, 5 yearly reviews)	5.75% - 6.00%	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%		POSITIVE
	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

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	SECTOR		NOV-23	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24	CHANGE	SENTIMENT
		City Prime (40 years)	F 250/ F 500/	5.25% - 5.50%	F 250/ F 500/	_	STABLE			
	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%		
		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
121		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) South East Business Parks (5 years)	8.00% + 10.50% +		NEGATIVE NEGATIVE					
		Court Last Business Faires (5 years)	10.30 / 0 +	10.30 / 0 +	10.30 % +	10.5070 +	10.30 % +	10.50 / 0 +		NEGATIVE
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75% +	5.00%	5.00%	5.00%	5.00%	5.00%		POSITIVE
		Prime Distribution / Warehousing (15 years, OMRRs)	5.25% +	5.50%	5.50%	5.50% -	5.25% - 5.50%	5.25% - 5.50%		POSITIVE
		Secondary Distribution (10 years, OMRRs)	5.75%	6.00%	6.00%	6.00%	6.00%	6.00%		STABLE
		Greater London Estates	4.75%	5.00%	5.00% -	5.00% -	4.75% - 5.00%	4.75% - 5.00%		POSITIVE
		South East Estates	5.00%	5.25%	5.25% -	5.25% -	5.00%	5.00%		POSITIVE
		Good Modern Rest of UK Estates	5.25% - 5.50%	5.50%	5.25%	5.25%	5.00% - 5.25%	5.00% - 5.25%		POSITIVE
		Good Secondary Estates	6.50% - 7.00%	6.75% - 7.25%	6.75% - 7.00%	6.75% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		STABLE
		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% -	4.75% -		POSITIVE
	Specialist Sectors	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.25%	5.50%	5.50%	5.25%	5.25% -	5.25% -		POSITIVE
		Student Accommodation Prime London (25 years, Annual indexation)	4.25%	4.25% +	4.25% +	4.25%	4.25%	4.25%		STABLE
		Student Accommodation Prime Regional (25 years, Annual indexation)	4.50%	4.50% +	4.50% +	4.50%	4.50%	4.50%		STABLE
		Healthcare (Not for Profit Operator, 30 years, Annual indexed reviews)	4.25% - 4.50%	4.75%	4.75%	4.75%	4.75%	4.75%		POSITIVE
		Healthcare (SPV credit, 30 years, Annual indexed reviews)	5.25%	5.75%	5.75%	5.75%	5.75%	5.75%		POSITIVE
		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%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
		Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	4.00%	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%	3.25%	3.25%	3.25%	3.25%	3.25%		POSITIVE

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LEADING INDICATORS - 5 November 2024

Markets React to Labour's Budget. The recent budget received a mixed response from UK financial markets; however, it was far more subdued than the 'mini-budget' two years ago. UK gilt yields have climbed to one-year highs of 4.56% after details of a higher-than-expected debt raise. While the risk-free rate has increased over recent months, this has been influenced by both global and local factors.

Implications for UK CRE. The largest fiscal loosening in decades is expected to support stronger GDP growth, in the coming year, but may also lead to a slightly more gradual decline in interest rates. The Government's supply-side push majors on infrastructure investment, with an assumed knock-on for commercial opportunities, and growth-focussed initiatives especially in green energy and regional innovation. This should be positive for foreign investors looking at the UK's long-term prospects.

Monetary Policy Decisions. Both the Bank of England and the Federal Reserve are due to meet on Thursday and markets are currently anticipating a quarter-point rate cut in the UK but not the US. For real estate investors, rate cuts may create opportunities in the coming months and could support growth.

BONDS & RATES	NOV 2023	SEP 2024	OCT 2024	5 NOV 2024
Bank of England Base Rate	5.25%	5.00%	5.00%	4.75%
5-year SONIA Swap Rate	4.56%	3.59%	3.85%	4.13%
10-year Gilt Redemption Yield	4.28%	3.88%	4.24%	4.52%
10-year Indexed Gilt Yield	0.60%	0.52%	0.70%	0.92%

DEBT MARKET -5 November 2024



Source: Macrobond, ICAP

ESG



Meeting the Commercial Property Retrofit Challenge – Part 2: Action

Intelligence Lab



Tender Price Index - Q3 2024

Knight Frank Intelligence

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KEY RESEARCH



Knight Frank V&A

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- 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.



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