

Prime Yield Guide – October 2024

Knight Frank Intelligence

Based on rack rented properties and disregards bond type transactions

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and was prepared on 15 October 2024.



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	SECTOR		OCT-23	JUN-24	JUL-24	AUG-24	SEP-24	OCT-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%	7.00%	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% +	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	Shopping Centres (sustainable income)	Regional Scheme	8.00% +	8.25%	8.00%	8.00%	7.75%	7.75%		STABLE
		Sub-Regional Scheme	9.50% +	9.50%	9.25%	9.25%	9.00%	9.00%		STABLE
		Local Scheme (successful)	10.50% +	10.50%	10.50%	10.50%	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% -	5.75% -	5.50%	-0.25%	POSITIVE
		Good Secondary Open A1 Parks	7.75%	7.50%	7.25%	7.00%	7.00%	6.75% - 7.00%	-0.25%	POSITIVE
		Bulky Goods Parks	6.00%	5.75%	5.75%	5.75% -	5.75% -	5.75% -		POSITIVE
		Good Secondary Bulky Goods Parks	7.75%	7.50%	7.25%	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		OCT-23	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	CHANGE	SENTIMENT
 Offices	City Prime (10 years)	5.25% +	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)	6.25% - 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)	7.50% +	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
	South East Towns (5 years)	8.50%	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)	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%	5.50% -	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% -	5.00% -	4.75% - 5.00%	-	POSITIVE
	South East Estates	5.00%	5.25%	5.25%	5.25% -	5.25% -	5.00%	-0.25%	POSITIVE
	Good Modern Rest of UK Estates	5.25% - 5.50%	5.50%	5.50%	5.25%	5.25%	5.00% - 5.25%	-	POSITIVE
	Good Secondary Estates	6.50% - 7.00%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.00%	6.75% - 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)	4.50% - 4.75%	4.75%	4.75%	4.75%	4.75% -	4.75% -		POSITIVE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00%	5.50%	5.50%	5.50%	5.25%	5.25% -	-	POSITIVE
	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%	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%		STABLE
	Healthcare (SPV credit, 30 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%	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%		STABLE	

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LEADING INDICATORS

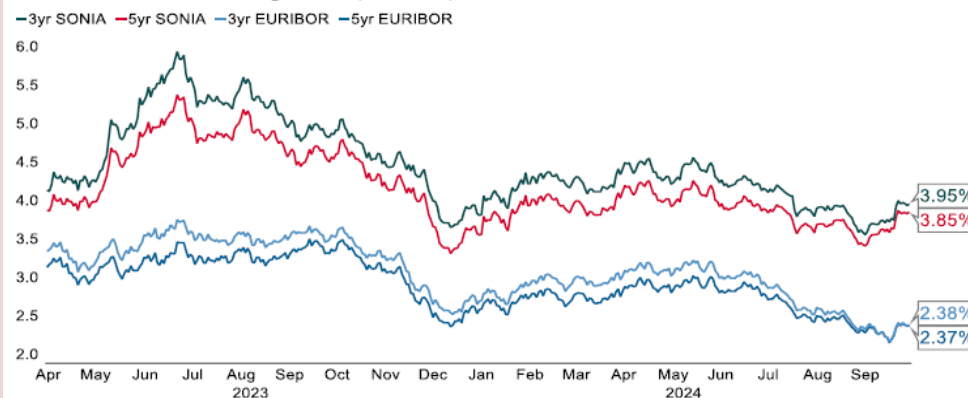
Bank of England set to resume easing cycle next month. Recent messaging by Governor Bailey hints at a more aggressive rate-cutting approach by the BoE. Markets now anticipate a quarter-point rate cut in November and a likely follow-up in December. Meanwhile, the UK 10-year gilt yield has spiked, reflecting market concerns over the Chancellor’s potential plans to ease borrowing rules in the budget.

UK wage growth eases to two-year low. The UK’s unemployment rate fell slightly to 4.0% in the three months to August 2024, while private sector wage growth slowed to 4.9%, its lowest in two years. The figures indicate a gradual loosening of the labour market, reinforcing expectations that the Bank of England will cut rates next month from 5.00% to 4.75%.

UK inflation hits lowest level since April 2021. The annual rate of price growth in the UK economy slipped to 1.7% in September from 2.2% in the previous month, according to the ONS. City analysts had expected the rate to drop to 1.9%, while the Bank of England had forecast a smaller decline to 2.1%. Core inflation was 3.2% (down from 3.6%) and services inflation fell to 4.9% (down from 5.6%), which is well below the BoE’s forecast of 5.5% (published in August).

DEBT MARKET – 14 October 2024

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES	OCT 2023	JUL 2024	SEP 2024	14 OCT 2024
Bank of England Base Rate	5.25%	5.00%	5.00%	5.00%
5-year SONIA Swap Rate	4.62%	3.68%	3.59%	3.85%
10-year Gilt Redemption Yield	4.51%	3.99%	3.88%	4.24%
10-year Indexed Gilt Yield	0.91%	0.51%	0.52%	0.70%

ESG



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UK Cities DNA – Series of 12 papers

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- 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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