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	SECTOR		SEP-22	MAR-23	JUN-23	JUL-23	AUG-23	SEP-23	CHANGE	SENTIMENT
	Offices	City Prime (Single let, 10 years)	4.00%	4.75%	5.00%	5.25%	5.25%	5.25% +	+	WEAKER
		West End: Prime Core (Mayfair & St James's)	3.25%	3.75%	3.75%	4.00%	4.00%	4.00%		STABLE
		West End: Non-core (Soho & Fitzrovia)	4.00%	4.50%	4.50% - 4.75%	4.50% - 4.75%	4.50% - 4.75%	4.75%	+	WEAKER
		Major Regional Cities (Single let, 15 years)	5.00% - 5.25%	5.75%	5.75%	5.75% +	6.00% +	6.25%	+0.25%	WEAKER
		Major Regional Cities (Multi-let, 5 year WAULT)	525% - 5.50%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	7.00% +	7.25% +	+0.25%	NEGATIVE
		Good Secondary Regional Cities	725% - 7.50%	9.00% - 9.25%	9.50% +	9.50% +	10.00% +	10.50% +	+0.50%	NEGATIVE
		South East Towns (Single let, 15 years)	5.25%	6.00% - 6.50%	6.00% - 6.50%	6.00% - 6.50%	6.50% - 7.00%	7.00% +	+	WEAKER
		South East Towns (Multi-let, 5 year WAULT)	6.75% - 7.00%	7.50%	7.50%	7.50%	8.00% +	8.25% +	+0.25%	NEGATIVE
		Good Secondary South East Towns	7.50% - 7.75%	9.25% - 9.50%	10.00% +	10.00% +	10.50% +	11.00% +	+0.50%	NEGATIVE
		South East Business Parks (Single let, 15 years)	5.50% - 5.75%	7.00%	7.00%	7.00%	7.50% +	7.75% +	+0.25%	WEAKER
		South East Business Parks (Multi-let, 5 year WAULT)	7.25% +	8.50% +	9.00%	9.00%	9.50% +	10.00% +	+0.50%	NEGATIVE
		Good Secondary South East Business Parks	7.75% - 8.00%	9.75% +	10.50% +	10.50% +	11.00% +	12.00% +	+1.00%	NEGATIVE
		Life Sciences (Oxford, Cambridge)	3.75%	4.25% - 4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
	Warehouse & Industrial	Prime Distribution / Warehousing (20 years [NIY], fixed/indexed uplifts)	3.50% - 3.75%	4.75%	4.75% -	4.75%	4.75%	4.75% +	+	WEAKER
		Prime Distribution / Warehousing (15 years, OMRRs)	4.00% - 4.25%	5.25%	5.25% -	5.25%	5.25%	5.25% +	+	WEAKER
		Secondary Distribution (10 years, OMRRs)	4.50% - 4.75%	5.50% - 5.75%	5.50% - 5.75%	5.50% - 5.75%	5.50% - 5.75%	5.75%	+	WEAKER
		South East Estates (excluding London & Heathrow)	4.00%	5.00% - 5.25%	5.00%	5.00%	5.00%	5.00%		STABLE
		Good Modern Rest of UK Estates	4.25% - 4.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%	5.25% - 5.50%		STABLE
		Good Secondary Estates	5.25% - 5.75%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%	6.50% - 7.00%		STABLE
		Car Showrooms (20 years with fixed uplifts & dealer covenant)	5.25%	5.75%	5.75%	5.75%	5.75%	5.75%		STABLE
	Specialist Sectors	Budget Hotels London (20 years, 5 yearly RPI / CPI reviews)	3.25% - 3.50%	4.50%	4.50%	4.50%	4.50%	4.50% +	+	WEAKER
		Budget Hotels Regional (20 years, 5 yearly RPI / CPI reviews)	4.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
		Student Accommodation Prime London (Direct Let)	3.50%	3.75% - 4.00%	4.00%	4.00% +	4.00% - 4.25%	4.00% - 4.25%		WEAKER
		Student Accommodation Prime Regional (Direct Let)	4.75% - 5.00%	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 RPI)	3.25%	4.00%	4.00%	4.00%	4.00%	4.00% +	+	WEAKER
		Student Accommodation Prime Regional (25 years, Annual RPI)	3.50%	4.25%	4.25%	4.25%	4.25%	4.25% - 4.50%	+	WEAKER
		Healthcare (Elderly Care, 30 years, 5 yearly RPI / CPI reviews)	3.25% - 3.50%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.25%	4.25%	4.25% - 4.50%	+	WEAKER
		Data Centres (Operational)	4.00%	4.50%	4.50%	4.75%	4.75%	4.75%		POSITIVE
		Data Centres (Leased, 15 years, Annual Indexation)	4.00% +	4.75%	4.75%	5.00%	5.00%	4.75%	-0.25%	POSITIVE
		Income Strips (50 years, Annual RPI / CPIH+1% RRs, Annuity Grade)	2.50%	4.00%	4.00%	4.00%	4.00%	4.00%		STABLE

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	SECTOR		SEP-22	MAR-23	JUN-23	JUL-23	AUG-23	SEP-23	CHANGE	SENTIMENT
	High Street Retail (institutional lot sizes)	Bond Street	2.75% +	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%	2.75% - 3.00%		STABLE
		Oxford Street	3.50% +	4.25% - 4.50%	4.50%	4.50%	4.50%	4.50%		STABLE
		Prime Towns (Oxford, Cambridge, Winchester)	6.25%	6.75%	6.75%	6.75%	6.75%	6.75%		WEAKER
		Regional Cities (Manchester, Birmingham)	6.50%	7.00%	7.00%	7.00%	7.00%	7.00%		WEAKER
		Good Secondary (Truro, Learnington Spa, Colchester etc)	8.25% - 8.50%	9.00% - 9.25%	9.00% - 9.25%	9.00% - 9.25%	9.25%	9.50%	+0.25%	WEAKER
		-								
(A)	Shopping Centres (sustainable income)	Regional Scheme	7.50%	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		WEAKER
		Sub-Regional Scheme	8.50%	9.00% +	9.00% +	9.00% +	9.00% +	9.00% +		WEAKER
		Local Scheme (successful)	9.25%	9.75% +	9.75% +	9.75% +	10.00%	10.00% +	+	WEAKER
		Neighbourhood Scheme (assumes <25% of income from supermarket)	9.00% - 9.25%	9.50% - 9.75%	9.50% - 9.75%	9.50% - 9.75%	9.75% - 10.00%	9.75% - 10.00%		WEAKER
	Out of Town Retail	Open A1 Parks	5.00%	6.00%	5.75% -	5.75% +	5.75% - 6.00%	6.00%	+	WEAKER
		Good Secondary Open A1 Parks	6.25%	7.50%	7.50%	7.50%	7.50% - 7.75%	7.75%	+	WEAKER
1000		Bulky Goods Parks	5.00%	6.00%	5.75% -	5.75% +	5.75% - 6.00%	6.00%	+	WEAKER
ď		Good Secondary Bulky Goods Parks	6.25%	7.50%	7.50%	7.50%	7.50% - 7.75%	7.75%	+	WEAKER
		Solus Open A1 (15 year income)	5.00%	5.75% - 6.00%	5.75%	5.75% +	5.75% +	5.75% - 6.00%	+	WEAKER
		Solus Bulky (15 year income)	5.00%	5.75% - 6.00%	5.75%	5.75% +	5.75% +	5.75% - 6.00%	+	WEAKER
2	Foodstores	Annual RPI Increases [NIY] (20 year income)	3.75% - 4.00%	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
		Open Market Reviews (20 year lease, 5 yearly reviews)	4.25% - 4.50%	5.50%	5.50%	5.75%	5.75%	5.75% +	+	WEAKER
		Discounters (20 years, 5 yearly indexation)	3.50% - 3.75%	4.75%	4.75%	4.75%	4.75%	4.75%		STABLE
R	Leisure	Prime Leisure Parks	7.00% +	7.50%	7.50% +	7.50% +	7.50% +	7.50% +		WEAKER
allo		Good Secondary Leisure Parks	8.00% +	9.00% +	9.00% +	9.00% +	9.25%	9.50%	+0.25%	NEGATIVE

Based on rack rented properties and disregards bond type transactions

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LEADING INDICATORS

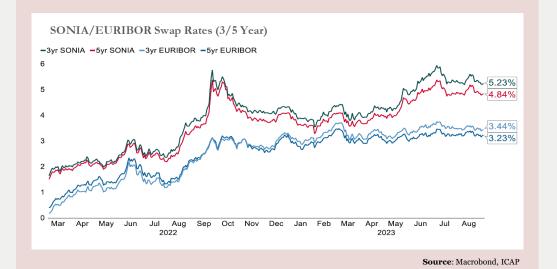
Net lending to UK CRE rises. Net lending for July was positive for the fifth consecutive month. We expect refinancing to be a key feature of the market in the coming months. In 2018, c.£50 billion of CRE debt was originated in the UK. Separately, Q2 2023 saw the lowest number of UK CRE standing property transactions in over 10 years, -37% below the Q2 long term average. This suggests that firms are borrowing for reasons other than purchasing, including to prepare for upcoming refinancing events.

Politics is heating up. Political tensions are on the rise. In the US and the UK, the run-up to the 2024 elections is underway. The Conservative party could be facing two by-elections this autumn (Mid-Bedfordshire and Tamworth). Betting odds currently suggest a 67% likelihood of a Labour majority following the next General Election, down from 69% in July. Meanwhile, the probability of a no majority outcome increased from 8% in July to 27% currently. If Labour were to form a government, the impact on UK CRE might be relatively positive, based on previous performance: Between 1997 and 2010, UK CRE achieved returns of +6.7% (inflation-adjusted). UK CRE outperformed this (at +8.6%) during the 2010-2015 coalition government but the context of a post-GFC economic upswing cannot be ignored.

How generative AI will support ESG in Real Estate. Flora Harley, Head of ESG Research, <u>argues</u> that Generative AI could play a particularly pertinent role in supporting real estate's ESG ambitions, especially in Building Management Systems to optimise consumptions and identifying inefficiencies.

BONDS & RATES (01/09/2023)	SEP 2022	MAR 2023	JUN 2023	SEP 2023
SONIA Rate	1.691%	3.927%	4.428%	5.185%
Bank of England Base Rate	2.25%	4.25%	5.00%	5.25%
5-year swap rates	3.770%	4.308%	4.779%	5.032%
10-year gilts redemption yield	2.92%	3.81%	4.21%	4.42%

DEBT MARKET - 04 September 2023



ESG



What role could Artificial Intelligence play in real estate when looking through an ESG lens?

Intelligence Lab



High levels of VC funding and UK Government funding package sees investment rise 144% in Q2 as Golden Triangle take-up continues to rise.

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KEY RESEARCH



UK CRE Quarterly Review - Q2 2023

Knight Frank's latest quarterly report into the Global and UK economy and impact on UK commercial real estate sectors.

Knight Frank V&A

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- Data Centres



hear from you.

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We like questions. If you would like some property advice, or want more information about our research, we would love to

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