



# Prime Yield Guide – September 2023

Knight Frank Intelligence

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and was prepared on 5 September 2023.



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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, Leamington 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
	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
		Bulky Goods Parks	5.00%	6.00%	5.75% -	5.75% +	5.75% - 6.00%	6.00%	+	WEAKER
		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
	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
	Leisure	Prime Leisure Parks	7.00% +	7.50%	7.50% +	7.50% +	7.50% +	7.50% +		WEAKER
		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

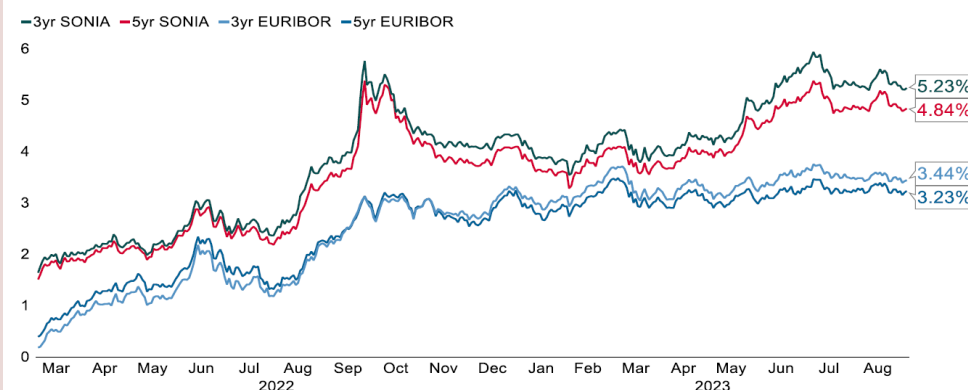
**Net lending to UK CRE rises.** Net lending for July was positive for the fifth consecutive month. We expect refinancing to be a key feature of the market in the coming months. In 2018, c.£50 billion of CRE debt was originated in the UK. Separately, Q2 2023 saw the lowest number of UK CRE standing property 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, [argues](#) 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.

## DEBT MARKET – 04 September 2023

SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

### 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%

## 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

### 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 :

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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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