

# Prime Yield Guide – September 2024

Knight Frank Intelligence

Based on rack rented properties and disregards bond type transactions

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and was prepared on 09 September 2024.



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	SECTOR		SEP-23	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	CHANGE	SENTIMENT
	<b>High Street Retail</b> (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%	7.00%	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
	<b>Shopping Centres</b> (sustainable income)	Regional Scheme	8.00% +	8.25%	8.25%	8.00%	8.00%	7.75%	-0.25%	STABLE
		Sub-Regional Scheme	9.00% +	9.50%	9.50%	9.25%	9.25%	9.00%	-0.25%	STABLE
		Local Scheme (successful)	10.00% +	10.50%	10.50%	10.50%	10.50%	10.00%	-0.50%	STABLE
		Neighbourhood Scheme (assumes <25% of income from supermarket)	9.75% - 10.00%	10.00%	10.00%	10.00%	10.00%	10.00%		STABLE
	<b>Out of Town Retail</b>	Open A1 Parks	6.00%	5.75%	5.75%	5.75%	5.75% -	5.75% -		POSITIVE
		Good Secondary Open A1 Parks	7.75%	7.75%	7.50%	7.25%	7.00%	7.00%		POSITIVE
		Bulky Goods Parks	6.00%	5.75%	5.75%	5.75%	5.75% -	5.75% -		POSITIVE
		Good Secondary Bulky Goods Parks	7.75%	7.75%	7.50%	7.25%	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
	<b>Foodstores</b>	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%		STABLE
		Discounters (20 years, 5 yearly indexation)	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%		POSITIVE
	<b>Leisure</b>	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		SEP-23	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	CHANGE	SENTIMENT
 <b>Offices</b>	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%		STABLE
	Major Regional Cities (5 years)	7.25%	7.50%	7.50%	7.50%	7.50%	7.50%		STABLE
	Secondary, Regional Cities	10.50% +	11.00% +	11.00% +	11.00% +	11.00% +	11.00% +		NEGATIVE
	South East Towns (10 years)	7.00% +	7.25%	7.25%	7.25%	7.25%	7.25%		STABLE
	South East Towns (5 years)	8.25% +	8.25%	8.25%	8.25%	8.25%	8.25%		STABLE
	Secondary, South East Towns	11.00% +	11.50% +	11.50% +	11.50% +	11.50% +	11.50% +		NEGATIVE
	South East Business Parks (10 years)	7.75% +	8.00% +	8.00% +	8.00% +	8.00% +	8.00% +		NEGATIVE
	South East Business Parks (5 years)	10.00% +	10.50% +	10.50% +	10.50% +	10.50% +	10.50% +		NEGATIVE
 <b>Warehouse &amp; Industrial</b>	Prime Distribution / Warehousing (20 years [NIY], higher OMV/index)	4.75% +	5.00%	5.00%	5.00%	5.00%	5.00%		STABLE
	Prime Distribution / Warehousing (15 years, OMRRs)	5.25% +	5.50%	5.50%	5.50%	5.50%	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%	5.00% -		POSITIVE
	South East Estates	5.00%	5.25%	5.25%	5.25%	5.25%	5.25% -		POSITIVE
	Good Modern Rest of UK Estates	5.25% - 5.50%	5.50%	5.50%	5.50%	5.25%	5.25%		POSITIVE
	Good Secondary Estates	6.50% - 7.00%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.25%	6.75% - 7.00%	6.75% - 7.00%		STABLE
 <b>Specialist Sectors</b>	Car Showrooms (20 years with indexed uplifts & dealer covenant)	5.75%	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% -	-	POSITIVE
	Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.00%	5.50%	5.50%	5.50%	5.50%	5.25%	-0.25%	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

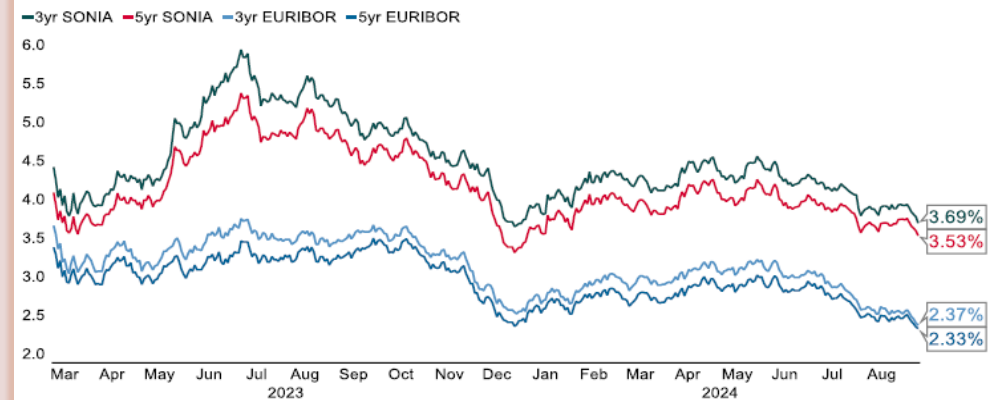
**The UK's new wave of progress.** The UK economy is beginning to show signs of renewed momentum after nearly two years of stagnation outperforming both the US and Euro Area in H1 2024. With newfound political stability, stabilising inflation, and subsequently, lower interest rates.

**A busy Autumn of reforms.** Next month's budget will see the new Labour government present the UK's new fiscal strategy. Significant changes to the tax system are anticipated as part of efforts to address a supposed £22 billion deficit in public finances. Separately, a major pensions review is aiming, amongst other things, at increasing pension investment into UK assets including real estate.

**Politics and Uncertainty.** In the US, the 2024 general presidential election shows a near even split between a Republican or Democratic majority. The Economic Policy Uncertainty Index, which tracks media coverage of policy-driven economic volatility, recorded a +10% month-on-month increase in Europe in July marking its highest level since December 2022. This surge underscores ongoing political instability across the region, contrasting with a relatively stable political environment in the UK.

## DEBT MARKET – 9 September 2024

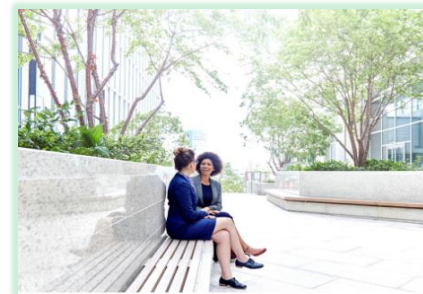
### SONIA/EURIBOR Swap Rates (3/5 Year)



Source: Macrobond, ICAP

BONDS & RATES	SEP 2023	JUN 2024	JUL 2024	6 SEP 2024
Bank of England Base Rate	5.25%	5.25%	5.00%	5.00%
5-year SONIA Swap Rate	5.03%	3.89%	3.68%	3.59%
10-year Gilt Redemption Yield	4.42%	4.16%	3.99%	3.88%
10-year Indexed Gilt Yield	0.79%	0.63%	0.51%	0.52%

## ESG



**Measuring Social Value in Commercial Real Estate**

## Intelligence Lab



**UK Hotel Dashboard - Strong Growth in H1 2024**

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## KEY RESEARCH



**Quantifying Technology in Real Estate**

## Knight Frank V&A

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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.*



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